

## **EXECUTIVE SUMMARY**

### ***PURPOSE OF DEPARTMENT***

The Department of Economic Development (DED) is composed of agencies, which execute statutory requirements and department policy in the areas of economic development, regulation of business and financial institutions and licensing of professionals. DED works with local communities to help firms create jobs, increase sales, find and train qualified workers, identify sites and obtain financial support to locate or expand in Missouri as well as promote capital investment and the self-sufficiency of communities in the state. Through its regulatory agencies, DED works to ensure safe and sound financial institutions, just and reasonable utility rates, safe operation of railroads and motor carriers, and ethical services by licensed professionals.

DED believes improved performance and increased customer satisfaction can be achieved through a targeted approach to marketing and resource allocation, employees who are empowered to make decisions regarding services to customers, and through innovative programs and policies.

DED serves a diverse group of customers, including communities, businesses, workers, visitors and consumers. DED uses a customer-focused, results-oriented approach to meet the needs of these diverse groups as evidenced in its statements of vision, mission, and values; and through its objective measures.

**VISION:** To make Missouri the best place to live, work, vacation and conduct business.

**MISSION:** We will achieve our vision through stimulating and supporting economic security, opportunity, growth and a high quality of life in Missouri communities.

**VALUES:**

- Accountability – we will embody the outcomes desired by our organization and its customers
- Measurement – we will measure our performance on outcomes and report our progress
- Innovation – we will develop innovative approaches, programs and products to better achieve the desired outcomes
- Customer satisfaction – we will proactively solicit end user expectations so that we design products that achieve total customer satisfaction
- Empowerment – we will promote a climate that values diversity in the workforce, gives employees the ability to increase customer satisfaction and that provides universal access to products

## **MAJOR POLICY INITIATIVE**

### ***21<sup>st</sup> Century Economy Summit: The Prosperity Dialogue***

On April 27, 2001 Governor Holden convened key state leaders, government officials, representatives from business and leading experts for participation in the *21<sup>st</sup> Century Economy Summit: The Prosperity Dialogue*—a unique project designed to define strategies and performance measures for enhancing economic prosperity throughout the state of Missouri. The Prosperity Dialogue was conceived and convened to explore how “performance-based government” initiatives could be applied to the area of economic development and developed jointly with DED’s partners and customers.

At a time when the federal government and states are increasingly turning to “performance-based government” concepts such as performance measurement, partnerships, and strategic planning, Missouri has emerged as one of the leaders in the effort to “manage for results” in government agencies.<sup>1</sup>

The Summit participants established three long-term indicators/outcomes of a prosperous, economically-strong Missouri:

- Improved quality of life and economic competitiveness
- Increased business rankings on traditional economic benchmarks
- Increased personal wealth for all Missourians

Throughout the remainder of 2001, key industry cluster meetings in life sciences, information technology and advanced manufacturing will be held. Additionally, five regional summit meetings will be held to further define the necessary indicators and strategies for increasing the prosperity of all Missourians. Finally, a follow-up summit meeting will be held.

DED will use the indicators/outcomes identified during this summit to manage for results and to guide its strategic planning process.

## **OUTCOMES**

DED recognizes that many factors influence improved performance on the indicators/outcomes identified during the summit. While DED alone cannot influence these indicators/outcomes, DED can help communities, businesses, and workers successfully achieve their individual goals, e.g., improved job skills leading to employment; improved infrastructure in a community; finding a qualified workforce, financing, or a site for a new business or expansion.

A summary of the outcomes, objectives, measures, overarching strategies and key programs follows.

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<sup>1</sup> Performance Institute, Alexandria, VA

## **OUTCOME I: INCREASE MISSOURI'S ECONOMIC PROSPERITY**

**OUTCOME MEASURE #1:** Improved quality of life and economic competitiveness

### **Customer Group – Communities**

- Objective Measures:
1. Increased number of communities that improve performance on established economic indicators
  2. Increased number of communities experiencing an increase in their assessed valuation
  3. Increased tourism expenditures
  4. Increased number of attendees at Missouri Arts Council funded events

**OUTCOME MEASURE #2:** Increased business rankings on traditional economic indicators

### **Customer Group – Businesses**

- Objective Measures:
1. Increased number of dollars of investment in Missouri by firms
  2. Increased number of high wage jobs created in Missouri by firms
  3. Increased number of dollars of sales by Missouri businesses
  4. Increased number of dollars of cost savings by Missouri businesses

**OUTCOME MEASURE 3:** Increased number of Missouri’s regulated industries operating in a safe, sound, and fair manner and increased number of licensed professional maintaining ethical practices

**Customer Group – Regulated Businesses and Licensed Professionals**

- Objective Measures:
1. Decreased number of “problem” financial institutions
  2. Decreased number of safety incidents and service problems by Missouri’s regulated industries
  3. Decreased number of incompetent, negligent, fraudulent, dishonest services by licensed professionals

**OUTCOME MEASURE 4: Increase personal wealth for all Missourians**

**Customer Group – Workers**

- Objective Measures:
1. Increased number/rate of people who get a job (enter employment)
  2. Increased number of people employed after 6 months
  3. Increased number of people who get a job with increased earnings
  4. Increased number of people who move from below the poverty line to above the poverty line
  5. Increased number of low income and homeless Missourians whose housing needs are met

**Customer Group – Consumers**

1. Increased utility savings to Missouri customers

## **OUTCOME II: INCREASE CUSTOMER SATISFACTION WITH STATE GOVERNMENT SERVICES**

### **Customer Group – Missouri Taxpayers**

Objective Measure: 1. Increased customer satisfaction rating with DED

## **OUTCOME III: INCREASE STATE GOVERNMENT PRODUCTIVITY AND EFFICIENCY**

### **Customer Group – Missouri Taxpayers**

Objective Measure: 1. Decreased DED cost to achieve results/outcomes

## **STRATEGIC OPPORTUNITIES**

Department-level strategies targeting strategic opportunities are:

- ❑ Refocus incentives and marketing resources on industry clusters important to Missouri's economic prosperity – Life Sciences, Information Technology, Advanced Manufacturing.
- ❑ Create an environment which will allow start-up businesses access to capital, qualified people, and state of the art technology which will lead to Missouri becoming a recognized national leader in entrepreneurial development.
- ❑ Through the use of a focused application of economic incentives, reform the use of these incentives to increase the productivity (return on investment) and decrease the cost of incentives.
- ❑ Increase the positive impact of technology on the state.
- ❑ Ensure Missouri's economic future through expediting the practical use of university-based research, including the transfer of intellectual property into the market place, and commercial application of university technology into product development and commercialization.
- ❑ Through cross-agency collaboration, increase the ability and capacity to report and analyze demographic, economic, and workforce data leading to improved planning, policy decision making and increased economic competitiveness.
- ❑ Reform the delivery system for workforce services to one that is more customer-focused and outcome oriented.
- ❑ Further consolidate training and workforce plans into a statewide skills partnership.
- ❑ Divest DED of divisions whose primary mission is consumer protection and regulation of commerce.
- ❑ Increase customer satisfaction with DED through improved performance on key customer requirements, e.g., timeliness, accessibility.
- ❑ Improve DED's overall performance through participation in the Missouri Quality Award process and other organizational assessment processes.

- ❑ Achieve governmental reform through application of private business practices, elimination of bureaucracy, increased focus on performance and customer satisfaction, and continued focus on accountability to Missouri taxpayers.

## **STRATEGIES TO IMPROVE PERFORMANCE**

In addition, DED uses the following key strategies to improve performance:

- ❑ Targeting resources through target markets, target industries, emerging industries, target communities and targeted inspections
- ❑ Further developing an integrated delivery system of products and services to better serve customers and increase effectiveness of resources
- ❑ Enhancing product design and delivery to increase customer satisfaction and improve performance

## **TARGET MARKETING**

DED uses a targeted marketing approach for attracting visitors, new businesses and business expansions, and increasing exporting opportunities. DED's current target markets are shown below.

### **Attracting New and Expanding Businesses, New Investment, and New Exporting Opportunities**

<u>International</u>	<u>National</u>
Canada	New York
Mexico	New Jersey
Belgium	Connecticut
United Kingdom	S. Carolina
Japan	N. Carolina
Germany	California
Brazil	Canada
Argentina	Ohio
Australia	Illinois
Finland	Kansas

### **Growth Markets**

South Africa  
West Africa  
China

### **Attracting Visitors**

<u>International</u>	<u>National</u>
United Kingdom	Illinois
Canada	Kansas
	Arkansas
<b>Growth Markets</b>	Texas
Japan	Tennessee
Mexico	Nebraska
	Iowa
	Oklahoma
	California
	Kentucky

## **KEY PROGRAMS**

- ❑ Missouri Customized Training Program
- ❑ Workforce Investment Act
- ❑ Missouri Enterprise
- ❑ Office of International Marketing

## DEPARTMENT OF ECONOMIC DEVELOPMENT STRATEGIC PLAN

### ***OUTCOME I: INCREASE MISSOURI'S ECONOMIC PROSPERITY***

#### ***General Analysis***

In general, Missouri's economy tends to follow the national economy. Missouri experienced robust economic growth during the last half of the 1990s. However, due to the weak performance of the economy in the latter half of 2000, revised forecasts now indicate a marked cooling of both the Missouri and national economy. It is expected that the economy will be especially sluggish through the first half of 2001, but the economy is expected to rebound somewhat during the last half of 2001 - with continued growth through 2004.

Missouri's economy should continue to experience modest but steady growth over the next few years. The Gross State Product (GSP) will continue to increase, though growth rates will be slower than those experienced in 2000. Unemployment should continue to remain low with rates ranging from 3-5%. Personal income is expected to continue growing between 2-4% annually and wages should continue to increase. Missouri's cost of living should also remain relatively low compared to the national average. Overall, Missouri should experience sound economic growth over the next several years.

The United States Bureau of Economic Analysis (BEA) released new estimates of Gross State Product (GSP) through 1999 for all fifty states on June 4, 2001. In 1999, Missouri's GSP rose to \$162.9B (chained \$96), an increase of 2.6% from 1998. DED estimates that growth in GSP was about 4.2% during 2000 and projects it to be between 1.5 and 3.5% during 2001.

Missouri's GSP tends to follow trends in the nation's Gross Domestic Product (GDP). Recent trends in the GDP indicate growth during 2001 may be significantly lower, perhaps as low as 1-2%. Taxable sales data from Missouri during the last half of 2000 also signaled a likely cooling of the state's economy. Fortunately, University of Missouri estimates of personal income growth for the state during 2001 indicate that GSP is likely still rising at a healthy pace.

Employment in Missouri should grow between 1.2% and 1.9% annually over the next three years. Services (2.5% annual growth), Government (2.4% annual growth), and Construction (2.3% annual growth) employment sectors will experience the fastest growth. Finance, Insurance, and Real Estate (-0.3% annual growth) and Manufacturing (-2.2% annual growth) will experience annual losses.

Missouri's Purchasing Managers Index (PMI) score increased slightly to 50.7 in May, the second straight month in which the index remained above a level that predicts future growth in the state's economy, according to the monthly *Mid-American Business Conditions Survey*, conducted by Creighton University, Omaha, NE.

Missouri's PMI score was up from 50.0 in April. Typically, a score greater than 50 indicates an expansionary economy, while a score below 50 forecasts a sluggish economy for the next three to six months. Prior to April, Missouri's PMI score had not been above 50 since October 2000. Economists consider the index, which measures such factors as new orders, production, supplier delivery times, backlogs, inventories, prices, employment, import orders and exports, a key economic indicator.

In the 4<sup>th</sup> quarter of 2000, Missouri had the 3<sup>rd</sup> lowest cost of living in the United States (of the 46 states and the District of Columbia surveyed by ACCRA). Missouri rose four spots in the rankings since the 3<sup>rd</sup> quarter, when the state had the 7<sup>th</sup> lowest cost of living. Missouri's index dropped to 92.7 from the previous quarter's 93.4. This is due mostly to declines in Groceries, Utilities, Transportation and Miscellaneous Goods and Services cost categories.

### ***OUTCOME MEASURE: IMPROVED QUALITY OF LIFE AND ECONOMIC COMPETITIVENESS***

#### **Why this measure is important**

Refinement of measures is anticipated through Governor Holden's Economic Prosperity Initiative.

Transportation education, and technology are three of the most significant components to Missouri's economic development. The highways, airways, railroads and waterways of Missouri constitute the arteries and veins by which a great deal of commerce moves across the state. Billions of dollars of freight travel through the I-70 and I-35 corridors and are vital to the state's and nation's economies. Over 160,000 tons of cargo are transported by air annually. The aviation industry employs over 16,000 people in Missouri. Missouri shippers and consumers depend on the inland waterways to transport commodities worth over \$3.5 billion. The use of water transportation saves the state's economy \$294 million over other modes. In Missouri, industries using barge transportation employ over 31,300 people and generate \$194 million in state and federal taxes.

Education is essential for any type of development. The state has over 200,000 people employed in public and private education, ranging from elementary to higher education. From an economic development standpoint, the role of education must be to prepare a workforce that is able to meet the intellectual requirements of industry. A "smart" workforce attracts industry. Statistics show that better education equals higher earnings, (creating more tax base), lower unemployment, and higher potential for growth. An investment in the better education of the state's future workforce (both children and adults) is an investment in a brighter economic future for the state.

Technology is the driving force behind industry. Over the past decade, our state and nation have been transformed by the information technology revolution. Total employment for information technology services increased from 8,161 in 1990 to 20,998 in 2000, an increase of 157.3%. Average annual wages increased 41.5% over this time



span from approximately \$40,000 to over \$55,000 per year. Total taxable wages increased by over 200%. Technology has propelled us from the "industrial age" of the 20<sup>th</sup> Century to the "information age" of the 21<sup>st</sup> Century. Staying on the cutting edge of innovation is a necessity to stay competitive in attracting new business to the state.

In spite of Missouri's overall economic success, there are urban and rural areas within the state that continue to experience high unemployment rates, poverty and population loss. These communities do not have the resources to reverse these trends and do not have the necessary infrastructure or workforce to attract new businesses or business expansions to their communities.

For example some areas of rural Missouri have also been mired in poverty and unemployment for many years. Unlike cities, poverty in rural Missouri is generally more dispersed and usually not found in large concentrations. It is often symptomatic of a region's narrow economic base and is reflective of isolation from the investment of capital that plays a distinct role in shaping prosperity. DED works to create capacities within communities and bring employment opportunities.

### **Trend analysis**

Missouri is a diverse state and thus is faced with unique challenges in delivering its programs and services efficiently and effectively. Due to the vast diversity in the cultures, economies, and geographies of the different areas of the state, DED uses a regional approach. Descriptions of the thirteen regions follow.

### **Regions**

**Bootheel Region** – The economy of the Bootheel Region generally lags behind the economy of Missouri as a whole. There has been a varied amount of economic growth in this region during the last ten years, with the western half of the region seeing good progress, while areas in the eastern half of this region struggle. The population growth since 1990 in the Bootheel Region was only 1.8% compared to 6.7% for the state. The poverty rate for this area is 24.9%, the highest rate among the state's regions. The state's poverty rate is 12.4%. The unemployment rate during 1999 for the Bootheel Region was 4.9%, much higher than the state's rate of 3.4%. On the bright side, the growth in personal income and per capita income in the Bootheel Region over the past decade has matched the growth of the state as a whole. However, per capita income in the region was only \$17,844 during 1998 compared with \$25,150 for the state.

Some of the large employers in this region include:

Arvin Industries, Inc.	Lucy Lee Hospital
Briggs and Stratton Corp.	Missouri Delta Medical Center
Clearwater District R-I	Noranda Aluminum, Inc.
Doctors Regional Medical Center	Pemiscot County Memorial Hospital
Doniphan R-I School District	Plastene Supply Co.
East Carter School District	Rowe Industries
The Gates Corporation	Tri-County Group XV, Inc.

**Central Region** – The economy of the Central Region is in many cases well ahead of the economy of Missouri as a whole. There has been a good amount economic growth in this region during the last ten years, with Boone County leading the way. The population growth since 1990 in the Central Region was 9.7% compared to 6.7% for the state. The poverty rate for this area is 9.8%. This compares with 12.4% for the state as a whole. The unemployment rate during 1999 for the Central Region was a phenomenal 2.2%, much lower than the state's rate of 3.4% and in fact, the lowest of any region. Growth in personal income and per capita income in the Central Region over the past decade has surpassed the growth for the state as a whole. However, per capita income in the region was only \$23,347 during 1998 compared with \$25,150 for the state.

Some of the large employers in this region include:

ABB Power T&D Co.	Nordyne, Inc.
AB Chance Co.	Quaker Window Products Co.
Audrain Medical Center	St. Mary's Health Center
Boone Hospital Center	Scholastic Book Clubs
Cargill, Inc.	Shelter Mutual Insurance
Fulton State Hospital	State of Missouri
Independent Stave Co., Inc.	University of Missouri
Memorial-Still Regional Hospital	Veteran's Administration Hospital
Moberly Brake	Von Hoffman Graphics

**Kansas City Metro Region** – The economy of the Kansas City Metro Region generally keeps pace with the economy of Missouri as a whole. There has been a varied amount of economic growth in this region during the last ten years with Cass and Platte Counties seeing good progress, while urban areas in Jackson County are growing at a slower pace. The population growth since 1990 in the Kansas City Metro Region was 8.7% compared to 6.7% for the state. The poverty rate for this area is 10.4%. This compares with 12.4% for the state as a whole. The unemployment rate during 1999 for the Kansas City Metro Region was 3.1%, slightly lower than the state's rate of 3.4%. The growth in personal income and per capita income in the Kansas City Metro Region over the past decade is nearly equivalent to the growth of the state as a whole. However, per capita income in the region was \$26,073 during 1998, slightly more than the state average of \$25,150.

Some of the large employers in this region include:

ABC Media, Inc.	Orbseal LLC
AT&T Corp.	Research Medical Center
The Bendix Division	St. Luke's Hospital of Kansas City
Cameron Community Hospital	Station Casino Kansas City
Children's Mercy Hospital	Trans World Airlines, Inc.
Ford Motor Co.	UMB Bank
Hallmark Cards	US Post Office
Harrah's-North Kansas City Corp.	University of Missouri
Higginsville Habilitation Center	Wal-Mart Associates, Inc.

**Lake Ozark-Rolla Region** – The economy of the Lake Ozark-Rolla Region is generally outpacing the economy of Missouri as a whole. There has been a varied amount of economic growth in this region during the last ten years with areas near the Lake of the Ozarks seeing good progress, while Pulaski County is struggling. The population growth since 1990 in the Lake Ozark-Rolla Region was 9.9% compared to 6.7% for the state. The poverty rate for this area is 14.1%. This compares with 12.4% for the state as a whole. The unemployment rate during 1999 for the Lake Ozark-Rolla Region was 4.5%, much higher than the state's rate of 3.4%. This could be due to the many seasonal jobs sparked by the booming tourist industry in this region. The growth in personal income and per capita income in the Lake Ozark-Rolla Region over the past decade has matched the growth of the state as a whole. However, per capita income in the region was only \$19,269 during 1998 compared with \$25,150 for the state.

Some of the large employers in this region include:

Alliant Food Service, Inc.  
Briggs and Stratton Corp.  
Camden County R-III School District  
Copeland Compressor Corp.  
Fasco Industries, Inc.  
The Gates Corp.  
Lake of the Ozarks General Hospital

The Lee Apparel Co.  
Paramount Headwear, Inc.  
Phelps County Regional Hospital  
Rolla Public School District 31  
Tan-Tara Resort  
Tracker Marine LP  
US Department of Defense  
University of Missouri

**Lower East Central-Cape Region** -- The economy of the Lower East Central-Cape Region generally outpaces the economy of Missouri as a whole. There has been a varied amount of economic growth in this region during the last ten years, with areas in the northern half of the region seeing good progress, while areas in the southern half are growing at a subdued pace. The population growth since 1990 in the Lower East Central-Cape Region was 9.4% compared to 6.7% for the state. The poverty rate for this area is 14.2%. This compares with 12.4% for the state as a whole. The unemployment rate during 1999 for the Lower East Central-Cape Region was 4.2%, considerably higher than the state's rate of 3.4%. The growth in personal income and per capita income in the Lower East Central-Cape Region over the past decade has matched the growth of the state as a whole. However, per capita income in the region was only \$18,970 during 1998 compared with \$25,150 for the state.

Some of the large employers in this region include:

Red Wing Shoe Co.  
Mississippi Lime Co.  
Southeast Missouri Mental Health Center  
Flat River Glass  
Farmington Correctional Center  
Mineral Area Osteopathic Hospital  
The Doe Run Resources Corp.  
TG (USA) Corp.

Cap America, Inc.  
Procter and Gamble Paper  
Southeast Missouri State University  
St. Francis Medical Center Administration  
Lee-Rowan Co.  
SBC Operations, Inc.  
Woodland District R-IV Schools

**North Central Region** – The economy of the North Central Region generally lags far behind the economy of Missouri as a whole. There has been a varied amount of economic growth in this region during the last ten years. Sullivan County has seen much progress, while farming counties such as Carroll, Chariton and Mercer have struggled considerably. The population has declined 2.1% in the North Central Region since 1999, while the state’s population has grown 6.7%. The poverty rate for this area is 16.2%. This compares with 12.4% for the state as a whole. The unemployment rate during 1999 for the North Central Region was 3.6%, nearly matching the state’s average of 3.4%. The growth in personal income and per capita income in the North Central Region over the past decade is below the growth of the state as a whole, and in fact dropped between 1997 and 1998. Per capita income in the region was only \$19,352 during 1998 compared with \$25,150 for the state.

Some of the large employers in this region include:

BHA Group, Inc.	Modine Manufacturing
Brookfield Cable Operations	Premium Standard Farms
Brookfield R-III Schools	Putnam County R-I School District
Carrollton Specialty Products Co.	Trenton Home Foods, Inc.
Donaldson Co., Inc.	Wal-Mart Associates, Inc.
Hedrick Medical Center	Walsworth Publishing
Hy-Vee, Inc.	

**Northeast Region** -- The economy of the Northeast Region is generally behind the economy of Missouri as a whole. There has been a varied amount of economic growth in this region during the last ten years. Ralls County has seen good progress, while the northern half of this region has experienced sluggish growth. The population has grown only 0.4% in the Northeast Region since 1990 compared to 6.7% of growth for the state. The poverty rate for this area is 14.9%. This compares with 12.4% for the state as a whole. The unemployment rate during 1999 for the Northeast Region was 3.5%, nearly matching the state’s average of 3.4%. The growth in personal income and per capita income in the Northeast Region over the past decade is below the growth of the state as a whole, and in fact dropped between 1997 and 1998. Per capita income in the region was only \$18,934 during 1998 compared with \$25,150 for the state.

Some of the large employers in this region include:

Buckhorn Rubber Products	Hannibal Regional Hospital
Cerro Copper	Scotland County Care Center
Culver-Stockton College	State of Missouri
Diemakers, Inc.	Toastmaster Inc.
Kirksville College	Truman State University
Knox County R-I School District	Wal-Mart Associates, Inc.
Northeast Regional Health System	William Underwood Co.

**Northwest Region** -- The economy of the Northwest Region generally lags behind the economy of Missouri as a whole. There has been a varied amount of economic growth in this region during the last ten years. DeKalb and Gentry Counties have seen much progress while Atchison, Holt, and Worth Counties have languished. The population has remained nearly unchanged in the Northwest Region since 1990, compared to 6.7% of growth for the state. The poverty rate for this area is 13.9%. This compares with 12.4% for the state as a whole. The unemployment rate during 1999 for the Northwest Region was 3.0%, slightly below the state's average of 3.4%. The growth in personal income and per capita income in the Northwest Region over the past decade is below the growth of the state as a whole. Per capita income in the region was \$20,631 during 1998 compared with \$25,150 for the state.

Some of the large employers in this region include:

Altec Industries, Inc.	Missouri Western State College
American Family Mutual Insurance	Northwest Missouri State University
Crestview Home, Inc.	Quaker Oats Co.
Eveready Battery Co.	State of Missouri
Exide Corporation	Western Missouri Correctional Center
Heartland Hospital	Worth County R-III Schools
J&R Associates LP	York International
Johnson Controls Battery	Youth Services International of Missouri
La Verna Village Nursing Home, Inc.	Wal-Mart Associates, Inc.
Landmark Manufacturing	

**St. Louis Metro Region** – The economy of the St. Louis Metro Region is generally trailing the economy of Missouri as a whole. However, there has been an extremely varied amount of economic growth in this region during the last ten years. The urban core has experienced the slowest growth in the state, while only the Springfield Region matches the outlying counties in growth. The population growth since 1990 in the St. Louis Metro Region was 3.1% compared to 6.7% for the state. The poverty rate for this area is 10.7%. This compares with 12.4% for the state as a whole. However, the poverty rate in the urban core is well over 30%. The unemployment rate during 1999 for the St. Louis Metro Region was 3.3%, slightly lower than the state's rate of 3.4%. Again, the rate in the urban core is much higher, at 6.5%. The growth in personal income and per capita income in the St. Louis Metro Region over the past decade is nearly equivalent to the growth of the state as a whole. Per capita income in the region was an extremely high \$30,816 during 1998 slightly more than the \$25,150 for the state.

Some of the large employers in this region include:

AG Edwards & Sons, Inc.	Medical School Campus
Anheuser Busch, Inc.	St. Anthony's Medical Center
Atoma International of America	St. John's Mercy Hospital
Barnes-Jewish Hospital	Saint Louis University
Bodine Aluminum, Inc.	Southwestern Bell
Chrysler Corporation	Trans World Airlines, Inc.
Diversey Lever, Inc.	US Post Office
Ford Motor Co.	Monsanto Co.
General Motors Corp.	United Parcel Service, Inc.
McDonnell Douglas Corp.	

**South Central Region** – The economic growth of the South Central Region is generally keeping pace with the economic growth of Missouri as a whole, but other factors indicate that this region is still slightly behind the rest of the state. Howell County has seen substantial progress during the last ten years, while other areas have seen average or below average growth. The population has grown a considerable 11.1% in the South Central Region since 1990 compared to 6.7% growth for the state. The poverty rate for this area is 22.5%, much higher than the 12.4% for the state as a whole. The unemployment rate during 1999 for the South Central Region was 5.3%, much higher than the state's average of 3.4%. The growth in personal income and per capita income in the South Central Region over the past decade is about equal to the growth of the state as a whole. Per capita income in the region was \$15,189 during 1998, the least for any region. This compares with \$25,150 for the state.

Some of the large employers in this region include:

Bruce Hardwood Flooring	Marathon Electric
Dairy Farmers of America, Inc.	Mountain View Fabricating
Douglas County R-I School District	Ozarks Medical Center
Emerson Motor Division	Paramount Headwear, Inc.
Gainesville R-V School District	Rawlings Sporting Goods
Houston R-I Schools	Robertshaw Controls
Howell County R-IV School District	Systems and Electronics, Inc.
Hutchens Industries, Inc.	Texas County Memorial Hospital
Lee's Curtain Co., Inc.	Wal-Mart Associates, Inc

**Southwest Region** – The economic growth of the South Central Region is generally far ahead of the economic growth of Missouri as a whole. However, there has been a varied amount of economic growth in this region during the last ten years, with counties in the extreme south beating other counties in the region. The population growth since 1990 in the Southwest Region was 11.5% compared to 6.7% for the state. The poverty rate for this area is 14.3%. This compares with 12.4% for the state as a whole. The unemployment rate during 1999 for the Southwest Region was 3.3%, nearly equivalent to the state's rate of 3.4%. The growth in personal income and per capita income in the

Southwest Region over the past decade has surpassed the growth of the state as a whole. However, per capita income in the region was \$19,746 during 1998 compared to \$25,150 for the state.

Some of the large employers in this region include:

Advanced Telemarketing	O'Sullivan Industries
Butterball Turkey	Pennington Seed, Inc.
Cedar County R-I and R-II Schools	Rising Fenix, Inc.
Contract Freighters, Inc.	St. John's Regional Medical Center, Joplin
EFCO Corp.	Simmons Foods, Inc.
Freeman-Oak Hill Health Center	Tri-State Motor Transit Co.
La-Z-Boy Chair Co.	Tyson Shared Services, Inc.
Minnesota Mining and Manufacturing Co.	Wal-Mart Associates, Inc.

**Springfield Region** – The economy of the Springfield Region is in many respects the engine driving the state's economic growth. All counties in this region have seen above average to phenomenal growth during the last ten years. The population has grown an outstanding 19.6% in the Springfield Region since 1990, compared to 6.7% of growth for the state. The poverty rate for this area is 11.8%, slightly lower than the 12.4% for the state as a whole. The unemployment rate during 1999 for the Springfield Region was 3.3%, nearly the same as the state's average of 3.4%. However, this figure drops lower during the summer due to the seasonal tourist boom in the southern half of the region. The growth in personal income and per capita income in the Springfield Region over the past decade is greater than the growth of the state as a whole. Per capita income in the region was a respectable \$22,451 during 1998. This compares with \$25,150 for the state.

Some of the large employers in this region include:

Aaron's Automotive	Marvel Cave Park
Associated Wholesale Grocers, Inc.	MCI Telecommunications
Bass Pro Outdoor World	New Prime, Inc.
Citizens Memorial Hospital	St. John's Regional Medical Center
Fasco Industries, Inc.	Southwest Missouri State University
Hutchens Industries, Inc.	Surrey Vacation Resorts
Kraft Foods, Inc.	Wal-Mart Associates, Inc.
Lester E. Cox Medical Center	

### **West Central Region**

The economy of the West Central Region is on pace with the economy of Missouri as a whole. There has been a varied amount of economic growth in this region during the last ten years, with Benton and Hickory Counties leading the region. The population growth since 1990 in the West Central Region was 8.6% compared to 6.7% for the state. The poverty rate for this area is 13.6%. This compares with 12.4% for the state as a whole. The unemployment rate during 1999 for the West Central Region was 3.5%,

nearly equivalent to the state's rate of 3.4%. The growth in personal income and per capita income in the West Central Region over the past decade was similar to the growth of the state as a whole. However, per capita income in the region was only \$19,052 during 1998 compared to \$25,150 for the state.

Some of the large employers in this region include:

Bates County Memorial Hospital  
Benton County R-IX Schools  
Bothwell Regional Hospital  
Central Missouri State University  
ConAgra Frozen food  
Excel Corp.  
Hayes Lemmerz  
Hickory County R-III Schools

Marshall Habilitation Center  
The Rival Co.  
SAC-Osage Hospital District #1  
Stahl Specialty Co.  
Tyson Shared Services, Inc.  
US Department of Defense  
Wal-Mart Associates, Inc.

### **How Missouri compares to others**

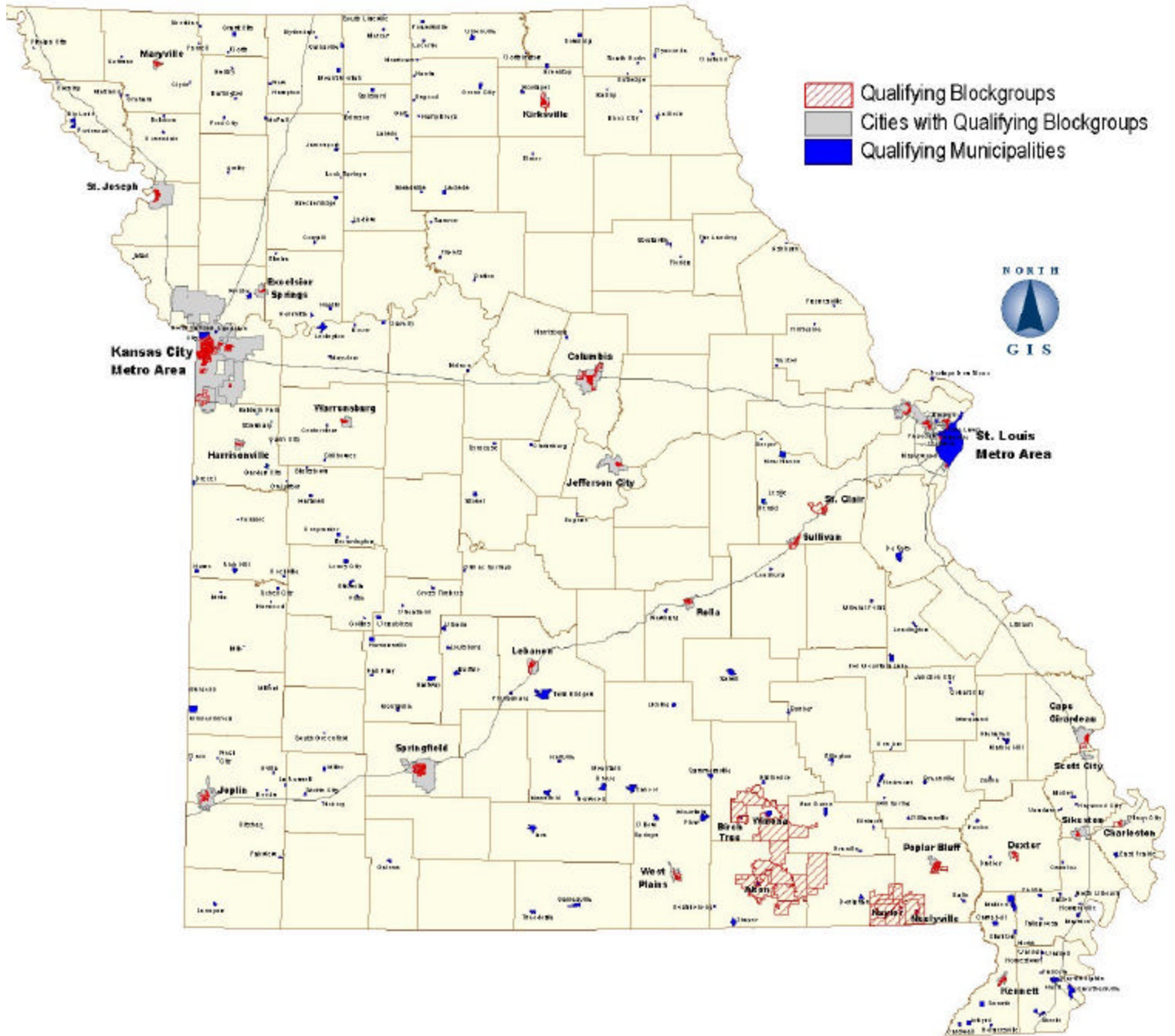
Through 3<sup>rd</sup> quarter 2000, Missouri's per capita income grew by 2.76%, while National per capita income grew by only 2.44%. Missouri reported \$154 billion in personal income for 2000, through 3<sup>rd</sup> quarter. In terms of Gross State Product, Missouri was 28<sup>th</sup> with a total of \$162 billion in 1999.

### **Factors influencing the measure**

A relatively low unemployment rate of 3.5% (15<sup>th</sup> in the Nation) contributed to Missouri's strong growth in 2000. This coupled with a strong labor force will continue to add to Missouri's prosperity and growth, although perhaps not at the rate experienced in 2000.



# Distressed Communities



## What works

### Targeting Resources -- Focus on Distressed Communities

Through legislation passed in 1998 (HB 1656), DED has identified 214 distressed communities and an additional 441 distressed census areas within Missouri to receive special incentives designated by legislation. The following map outlines the locations of distressed communities and depicts data considered in identification of these communities. For information on the impacts of targeting resources/assistance to distressed communities, see the Targeted Communities discussion on page 18.

## Concerns

Community improvement and readiness does not happen in a short timeframe. Many of the communities targeted since the passage of the distressed community legislation have received funding over the last few years, however, with the onset of new data from the census bureau (2002) many of these communities will change because their designation as distressed is based upon decennial census information. Some communities that we have put our funding into may no longer be eligible for these funds.

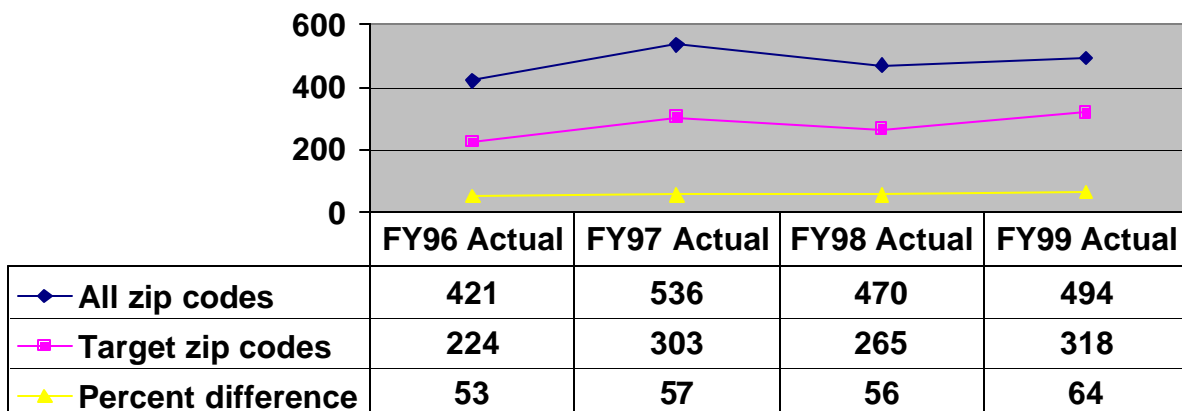
## Other sources of information

US Census Bureau

Economic Standard Index developed by University of Missouri – Columbia

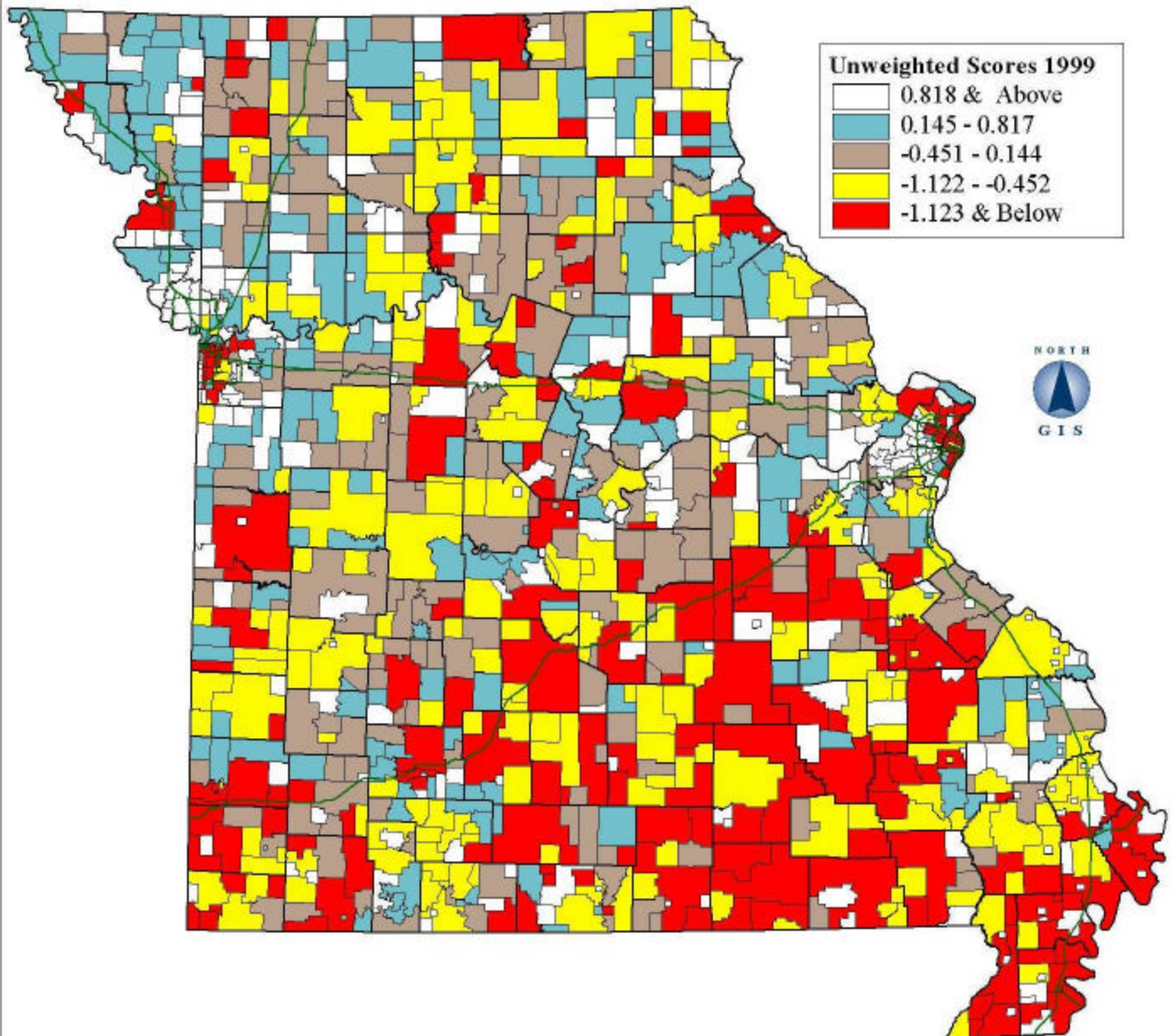
### Customer Group -- Communities

#### Objective Measure #1 - Increase the number of communities that improve performance on established economic indicators



# Community Economic Index

## Unweighted Composite Score



### **Why this measure is important**

The economic standard index is a measure compiling income information that reflects the potential for communities to become self-sustaining. Communities improve based upon the resources present for improvement. Two main resources are a community's tax base and its residents' income (wages). The economic standard is a statewide measure of income derived from salaries, dividends and interest, earned income tax credits and assessed valuation. (This standard was changed to replace the two measures of food stamp value and number of persons receiving food stamps with the earned income tax credit information due to the fact that because many individuals no longer participate in the food stamp program – either through misunderstandings of eligibility, or reduced eligibility – it is no longer a reflection of those of lower incomes.)

### **Trend analysis**

- ❑ Steady increase in the percentage of target communities making a positive movement in economic standard index.
- ❑ There is also a steady increase of the percentage of target communities that show positive movement in relation to all communities. In 1995, 72% of the total communities having positive improvement were target communities. In 1996, 77% were target communities and in 1997, 79% were target communities.
- ❑ Percentages have changed from previous reports due to the recalculation of the standard based upon the new earned income tax credit variable.

### **How Missouri compares to others**

The State of Maryland is one of the only states utilizing similar targeting efforts however their data collection is much more current as they have statewide reporting information requirements which we do not have.

### **Factors influencing this measure**

Again, the change from food stamp variables to earned income tax credit variable has resulted in new updated data and change of the baseline.

### **What works**

#### Targeting Resources – Focus on Target Communities

In addition to the distressed communities, DED has targeted 556 zip code areas for targeted community development assistance. These zip code areas for targeted assistance were identified through an economic index of community vitality developed by the University of Missouri.

The Community Development Group targets at least 55% of its funding into the target and distressed communities. There is also a steady increase of the percentage of target communities that show positive movement in relation to all communities showing positive movement. In 1995, 72% of the total communities having positive improvement were target communities. In 1996, 77% were target communities and in 1997, 79% were target communities. Funding in those areas rose from 46.2% in FY99 to 56% in FY00 and 3<sup>rd</sup> quarter of FY01 was at 69%.

## **Concerns**

- When comparing analysis of where funding is going (interim measure of 55% of funding to target areas), there is indication that there may not be a direct correlation between funding and change. This needs more research. On the positive side, there is shown a steady decrease in percentage of those target areas that are moving down in the standard index which may lead to the conclusion that by investing in the targets, one is preventing further deterioration of the economic standard. Further analysis of what type of specific funding sources create change is also underway. Finally, analysis of those communities' movement in the economic standard and the presence of community based planning and assessment is also underway.

## **Strategies:**

### Focused Application of Economic Incentives/Integration

- Develop a Development Ready Communities pilot, a multi-division initiative to assess the impact of targeted assistance to communities and the effectiveness of community plans.

### Enhancing Products

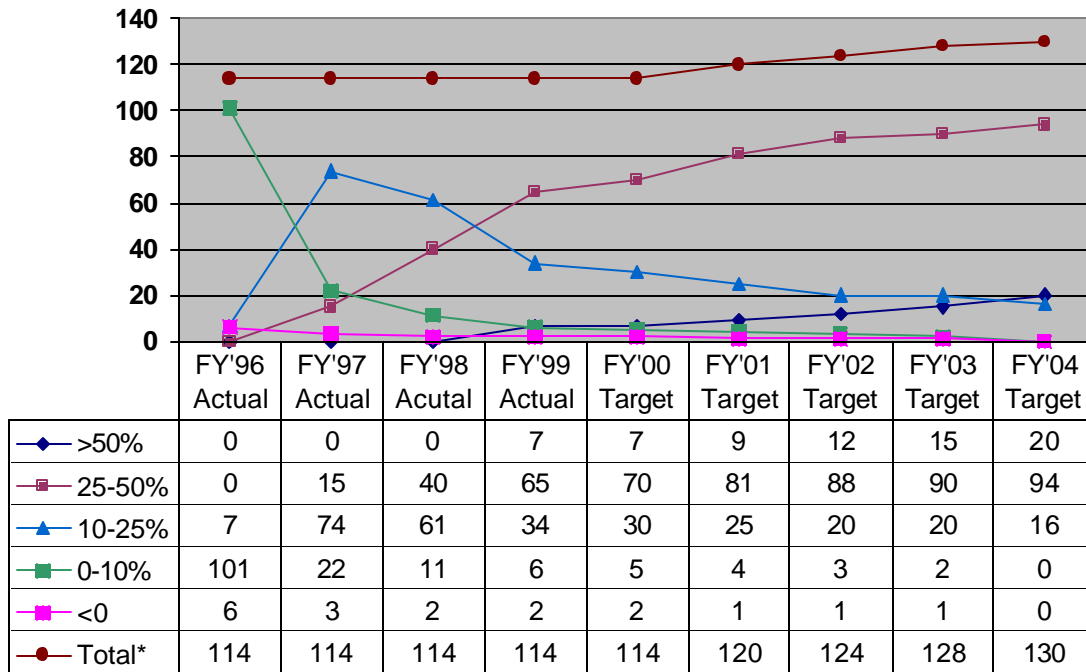
- Develop a fiscal resource plan for communities use in accessing additional funding sources to meet their needs. This entails examination of other federal, foundation and private sources of funding that communities may not have accessed in the past and new funding programs which can be passed on to communities either for their own application or facilitate applications by the state on their behalf.

### Other

- Prepare and implement new census data into all relevant state programs and assess how this impacts availability of funds, program eligibility requirements and set timeline for implementation.



## Objective Measure #2 -- Increased number of communities experiencing an increase in their assessed valuation

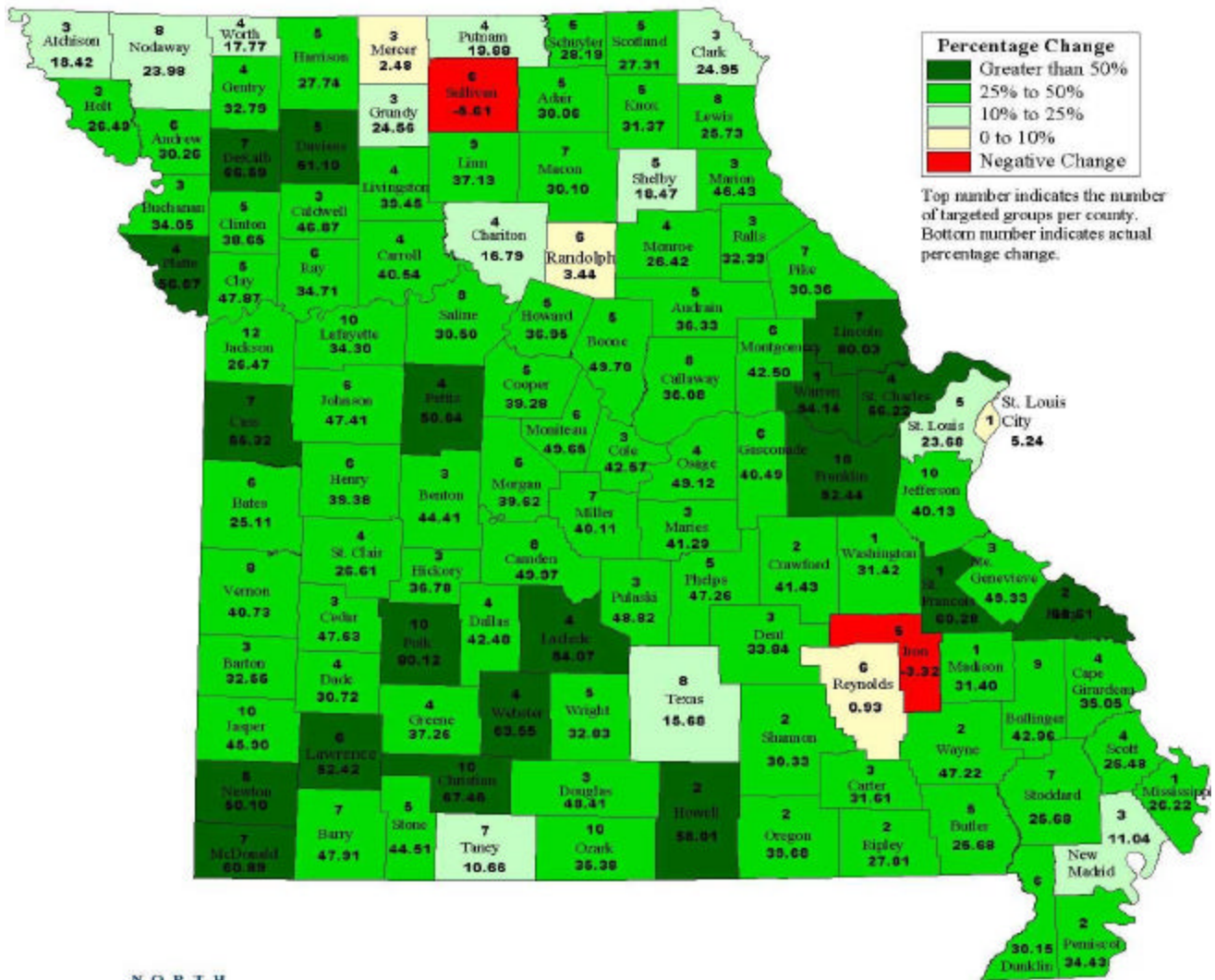


\*Total does not include number of communities with <0% movement.

### Why this measure is important

There are two main sources of income for communities to access when funding their own sustainability outside of user fees. The first is sales taxes that are imposed for specific purposes through an election process. The second means of support is the revenue generated by personal and real estate taxes through the assessment process. By increasing assessed valuation in communities, the base for increased revenues is expanded which can lead to more community funds for community operations and improvement.

## Change in Assessed Valuations 1995 to 2000



Aug 2, 2001



## **Trend analysis**

When measured as a composite figure, using 1995 as a base comparison year, assessed valuation shows a gradual increase especially in years 2, 3 and 4. Year 5 appears to be an anomaly that bears closer examination. There will become a point of stasis due to the fact that the maximum number of communities experiencing an increase in their assessed valuation will never exceed 115 (the number of counties and the City of St. Louis) in the state of Missouri.

## **How Missouri compares to others**

Comparisons to other states have not yet been explored.

## **Factors influencing the measure**

A key factor influencing this measure is the required reassessment and how that reflects on increased revenues to the areas.

## **What works**

Outreach efforts for increased valuation such as alternative job creation, community infrastructure improvement and leveraging local funding appear to be having an effect on valuation. Further correlation between target funding and assessed valuation need to be done.

## **Concerns**

- ❑ Measurements are continuing to be refined and assessed. DED is assessing the change in measurement for a continuing baseline from 1995 and discussions are being held as to how reassessment may play a part in the valuation.
- ❑ Continued expansion of communities into undeveloped areas of the state is also a concern. As communities grow, additional costs are incurred as to extension of community services and infrastructure improvements. Infill development and increased regionalization can aid in cost savings as well as increase assessed valuation in existing communities.

## **Other sources of information**

Missouri Department of Revenue

## **Strategies:**

### Focused Application of Economic Resources/Targeting Resources

- ❑ Continue targeting of 55% of funds to areas of need.

### Governmental Reform/Integration

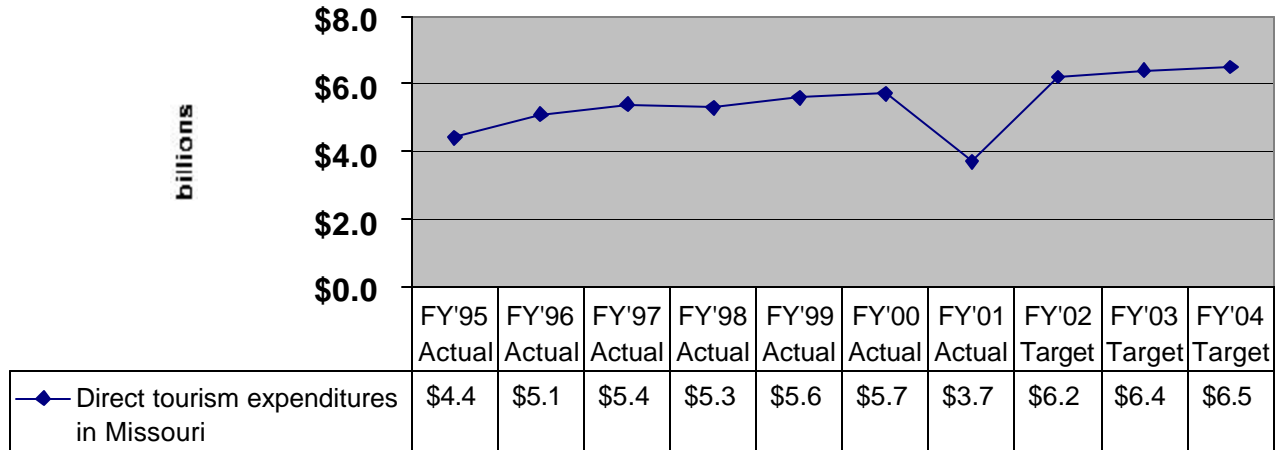
- ❑ Develop program for coordination of affordable housing in Missouri.

### Other

- ❑ Improve, educate and monitor redevelopment programs and their utilization. This includes education of citizens and businesses as to the effective packaging of tools for revitalization, examine urban main street initiatives and examine growth policy issues.



**Objective Measure #3 -- Increase direct domestic tourism expenditures in Missouri**



**Why this measure is important:**

The total impact of tourism has a very positive effect on Missouri's economy. According to the Economic Impact Report for FY00 released by the University of Missouri-Tourism Research and Development Center, direct expenditures (on-site expenditures by domestic and international visitors plus airport-related expenditures) by travelers in Missouri totaled a record \$8.2 billion during FY00, up 4.0% from FY99. Total industrial output (the value of products produced by Missouri industries) due to travel in Missouri increased during FY 00 to a record \$12.9 billion, up 3.9% from FY99.

Total state tax revenues (sales, income and other taxes) due to travel in Missouri increased 6.5% to a record \$607 million and taxable sales revenues from the 17 tourism related industries reached a record \$7.5 billion, up 12.6% from FY99.

**Trend analysis**

- Direct domestic tourism expenditures have increased 12% since FY'96.
- The average age of the heads of households visiting Missouri during FY00 was 47.2, a year and a half younger than during FY99. They tended to be highly educated, with almost half (48%) holding a four-year college degree and a large fraction were professionals (40%). Half of the households had an income of \$45,000 or more and a large percentage (28%) had an income of at least \$75,000. The percentage of visitors in this high-income range has been steadily increasing over the past five years. The average travel party to Missouri had 1.83 people, up from 1.80 during FY99 and singles make up the largest share of the travel parties (44%), followed by couples (30%) and families (23%).

## How Missouri compares to others

Market assessment data from the Market Share Analysis for CY00 released by the University of Missouri –Tourism Research and Development Center compares Missouri regionally and nationally as follows.

### National:

- ❑ **Household Trips:** Missouri captured 3.41% of all domestic household trips made by residents of the 48 contiguous states and the District of Columbia. While down from 3.58% during CY99, it did leave Missouri's national rank unchanged at 15, the same it has been since CY97. Domestic household trips are defined as any one-way trip of 50 or more miles or overnight.
- ❑ **Domestic Visitors:** Missouri's national rank improved from 15 to 14 for CY00 even though Missouri's share of all domestic visitors decreased slightly (from 3.62% during CY99 to 3.57% during CY00).

### Regional:

- ❑ **Expenditures:** Missouri's regional rank (Missouri and its 8 neighboring states) in terms of domestic expenditures improved from third to second, its highest ranking since the data started being collected in CY94. Missouri captured 17.7% of all domestic expenditures in the region during CY00, up from 17.1% during CY99. For the first time, Tennessee's rank fell from second to third.
- ❑ **Domestic Visitors:** Missouri captured 19.8% of all domestic visitors to the region during CY00. This was well above the regional average (13.5%), and up from CY99 (19.7%). Missouri maintained its third place regional rank for visitors, behind Illinois (23.9%) and Tennessee (20.8%), with the gap between Missouri and Tennessee narrowing.
- ❑ **Household Trips:** Missouri captured 19.2% of all domestic household trips to the region during CY00. This was well above the 13.4 % average for the nine states, but down from 19.6% during CY99. Missouri maintained its third place regional rank, behind Illinois (26.1%) and Tennessee (20.3%), with the gap between Missouri and Tennessee narrowing.

## Factors influencing the measure

- ❑ **Economy:** According to The Economic Review of Travel in America (2000 edition) released by TIA, the travel industry has often been considered to be somewhat more "recession-proof" than many other industries. For example, prior to the 1991-92 recession, travel industry employment increased during the five previous recessionary periods. Travelers possibly took shorter trips, less expensive trips or fewer business trips, but enough travel occurred to keep the industry growing. This changed during the 1991-92 recession, perhaps since the recession coincided with the Persian Gulf War. The Gulf War, which for a short time had a serious negative impact on fuel prices, made travel more expensive and difficult. In 1991, both real

travel sales and travel employment fell. After a recessionary period, the travel industry tends to lag the overall growth in the economy for a few years. It is during this period that leisure travel away from home, which accounts for approximately 70% of all domestic travel, has to compete with other alternatives for discretionary consumer spending. Historically, Americans significantly increased their spending on durable goods (e.g. cars, microwaves), purchases that may have been postponed during the recession. The sharp increase in durable goods spending following a recession tends to keep travel spending depressed. Even today, during an economic expansion, pleasure travel still has to compete with new high-tech durable products that offer consumers alternative leisure activities.

- ❑ **Travel Inflation:** Travel demand is highly sensitive to price inflation. When overall consumer prices increase faster than per capita personal income, which usually occurs during economic downturns, consumers tend to reduce discretionary spending on items such as leisure travel to continue to buy necessities. During periods of economic growth, incomes usually rise faster than prices, and consumers enjoy greater purchasing power for discretionary purchases, including leisure travel. Travel demand is also affected by the prices of competing items such as audiovisual equipment, personal computers, home improvements and nearby entertainment facilities. When the prices of travel-related goods and services rise faster than prices overall, consumers may substitute these alternative leisure-time items for travel.

#### **Other factors:**

- ❑ Tourism products/services (attractions, etc.) available in Missouri in comparison to other vacation destinations.
- ❑ Effective advertising reaching target visitors.
- ❑ Real and perceived traveler safety issues can impact tourism.

#### **What works**

##### Targeting Resources -- Target Markets

Visitor target markets are determined both geographically and demographically. Target market evaluation criteria include the Category Development Index (CDI), Brand Development Index (BDI), SMRI Market Potential Model, proximity to Missouri, demographic composition and media cost efficiency.

Target audience demographics and trip preferences in primary groups are sightseers, outdoor enthusiasts and small town families. These visitors are 35-54 years of age, have an average income of \$40,000- \$50,000. They also have a higher than average marriage rate and education level. The secondary groups are divided into three distinct categories.

The *sophisticated traveler* who looks for unique, cultural and urban experiences, the *young and on-the-go* who seek very active trips in a wide variety and the *security-seekers* who prefer the same kind of trip and destination for each vacation are key

markets for Missouri. All are in the age bracket of 35-54 years of age. Their average income is \$40,00-\$60,000 and they have higher than average education levels.

### Concerns

- ❑ Shorter vacations may impact spending (less free time).
- ❑ Out-of-state travelers spend more than residents.
- ❑ Competitive states are increasing product offerings (Kansas International Speedway).
- ❑ Economy impacts travel decisions.

### Other sources of information

- ❑ Economic Impact of Missouri's Tourism and travel Industry: January 2000 - December 2000; MU-Tourism Research and Development Center
- ❑ Market Share: January 2000 - December 2000; MU-Tourism Research and Development Center
- ❑ The Economic Review of Travel in America 2000 Edition; Travel Industry Association of America (TIA)

### Strategies:

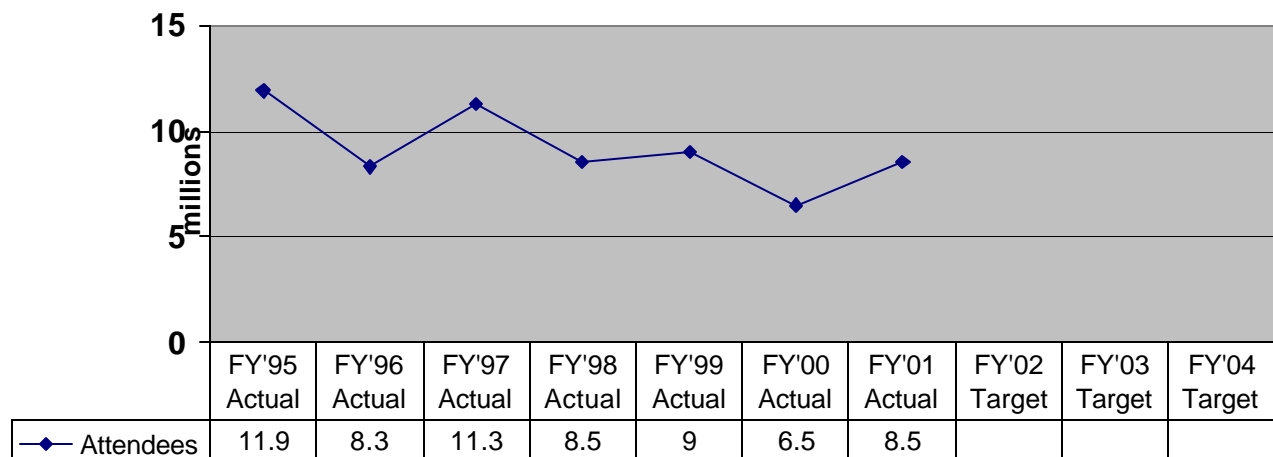
#### Target Markets

- ❑ Target promotional messages to high-value visitors.

#### Enhance Product Design and Delivery

- ❑ Utilize technology to target markets.
- ❑ Develop marketing tools that "close the sale".

### Objective Measure #4 -- Increase the number of attendees at Missouri Arts Council funded events



Attendance figures are derived from figures provided by grantees on Missouri Arts Council's Final Report Forms.

### **Why this measure is important**

The Missouri Arts Council (MAC) provides matching-fund project grants, from public and private funds, to Missouri nonprofit arts and cultural organizations through more than a dozen grantmaking programs designed to reach communities of all sizes in every corner of the state. With rare exceptions, organizations may only receive one MAC grant per year. A project grant can be a single performance or activity, like a concert or weekend festival, or it can be a concert series or exhibition, which normally encompass many days or weeks. Hence, the attendance figures reported from MAC-sponsored projects represent only a fraction of the state's total annual arts attendance.

Attendance provides a clear-cut measure of success and a measure of community involvement. It also provides MAC with planning data. The availability of annual attendance figures enables MAC to:

- ❑ track progress on attaining the goals and objectives documented in its mission, strategic plan, and partnership agreement with the National Endowment for the Arts
- ❑ create and revise statewide programs to ensure that arts programming is available in every corner of the state
- ❑ target distressed and under-served communities and provide planning data that guides program development

### **Trend analysis**

The attendance data shows striking fluctuations in attendance reports from FY95 through FY98, followed by a leveling off between FY 98 and FY01. The figures for FY98 through FY01 are more stable, although trending downward, and include a noteworthy dip in FY00. The two key issues—attendance fluctuations and FY00 attendance—are discussed below

Examination of database records indicated the spikes were a result of two factors:

- ❑ Approximately 3 million attendees were over-reported for media projects (radio, TV, film, etc.) due to a lack of clarity in MAC's reporting system; specifically, radio stations were reporting attendance figures for locally produced programs that were re-broadcast nationally over dozens of other stations.
- ❑ MAC received new funding in FY97 to create the Festivals Program and for expansion of the Minority Arts Program. The increase in attendance reflects the new audiences served.

MAC issued standardized guidelines for calculating attendance to eliminate this issue in the future. The subsequent drop in attendance figures in FY'00 appears to reflect compliance with MAC's new guidelines that were effective in FY'00

### **How Missouri compares to other states**

According to the latest figures from the National Assembly of State Arts Agencies in Washington, DC, the attendance figures for states adjacent to Missouri are as follows:

Arkansas	3,536,279	ranked 35th
Iowa	2,640,208	ranked 44th
Kansas	4,641,595	ranked 45th
Missouri	8,500,000	ranked 13th

On a spending per capita basis, Missouri ranks 13th nationally and compares with New Jersey and Delaware.

#### Latest Attendance Figures

Delaware	929,180	ranked 11th
New Jersey	11,352,890	ranked 12th
Missouri	8,500,000	ranked 13th
Illinois	n/a	ranked 18th

#### **Factors influencing the measure**

- ❑ In November 1999 MAC issued revised standards for reporting audience figures. Because such changes involve educating grantees and changing reporting guidelines, a certain amount of uncertainty is to be expected in the initial years following a change.
- ❑ MAC's Arts Education Program is undergoing a transition in an effort to incorporate proven educational innovations that have emerged both locally and nationally in recent years.

#### **What works**

Analysis has not been completed at this time.

#### **Concerns**

- ❑ In FY'01 MAC funded 96 new organizations. However, the combination of a growing number of applicants and a flat budget has resulted in decreased grant amounts across the board. As a result, many organizations—especially small and rural groups—must downsize their projects, which results in smaller audiences.
- ❑ The MAC office still relies on manual data-entry of grant application information. This increasingly represents an administrative bottleneck as the number of grants has increased 45% from 375 in FY'95 to 545 in FY'01.
- ❑ Economic slowdown. Given the national outpouring of assistance following the September 11th attacks and the general downturn in the economy, donor fatigue will likely be a significant problem among the nonprofit sector in the upcoming years.
- ❑ The federal government updates reporting standards every few years. MAC must implement these changes in order to access federal matching dollars.

#### **Other sources of information**

In 1997 and 2000 MAC commissioned statewide economic impact studies designed to determine the impact of the state's arts and cultural economy on the overall state economy. The studies focused on arts organizations with budgets of \$100,000 or more.

- ❑ In 1997 the study included 108 eligible organizations with 83 participating. The 1997 year-round attendance for these 83 organizations was 11.3 million.

- ❑ In 2000 the study included 165 eligible organizations with 134 participating. The 2000 year-round attendance for these 134 organizations was 12.8 million.

## **Strategies**

Existing audience development programs and strategies:

- ❑ The Rural Initiative, co-sponsored by MAC, the Missouri Association of Community Arts Agencies, the Folk Arts Program, and the National Endowment for the Arts, is designed to grow the arts in the non-metropolitan areas of the state. The Initiative features the CARD Project, which creates a list of outstate artists and a touring program.
- ❑ MAC provides technical assistance to organizations that provide greater accessibility to the disabled.
- ❑ MAC Cultural Trust - A public/private partnership that stabilizes the arts community through endowment building, construction renovation, and organizational development programs. To date the private side of the Trust has raised \$26 million for community-based projects.
- ❑ MAC is partnering with other state divisions –Tourism, Humanities Council, Community Development—to extend the reach of its program through cultural tourism, community-based design charettes, and using the arts to revitalize communities.
- ❑ MAC is collaborating with Community Development to coordinate development in distressed and under-served communities.
- ❑ MAC sponsors annual grant-writing workshops to help Missouri organizations develop highly competitive programs that involve local communities.

## ***Outcome Measure: Increased business rankings on economic indicators***

### **Why this measure is important**

Refinement of measures is anticipated through Governor Holden's Economic Prosperity Initiative.

According to the U.S. Census Bureau's Statistics of U.S. Business, Missouri establishments with less than 20 employees accounted for nearly 72% of the total establishments in Missouri in 1998. In the same time period, these establishments employed 18% of the total number of employees in the state. These small businesses and entrepreneurs build a solid foundation upon which Missouri businesses will continue to grow and add greatly to our economy.

By any measure, small businesses are critical to the economic well being of Missouri. They create new businesses (and the new jobs that go with them); bring new and innovative services and products to the marketplace; and provide business ownership opportunities to diverse (and traditionally underrepresented) groups.

### **Trend analysis**

In 2000, there were 128,319 businesses with employees, of which nearly 97.7 percent were small businesses (fewer than 500 employees). The number of small businesses

with employees increased by 1.6 percent from 125,800 in 1997. There were 193,599 self-employed persons in 2000, a 5.2% increase from 1999, but a slight decline from nearly 220,000 in 1998.

Even if the classification of “small business” is dropped to a more realistic number of less than 25 employees, the figure still remains high – almost 92 percent (68 percent have fewer than 5 employees).

There were 2.3 percent or 13,996 more new employer firms in 2000 than in 1999. Small business employment represented 49.7 percent of the state’s total employment. Small businesses employed 1,148,864 of the state’s 2.3 million total non-farm private sector workers. The non-farm proprietors’ share of small business income total \$10.3 billion – an increase of 6.2 percent from \$9.7 billion in 1999.

Business bankruptcies totaled 369 in 2000, an increase of 3.1 percent since 1999, while business terminations amounted to 17,580, a decrease of 7.0 percent from 1999.

*(Source: U.S. Dept. of Labor, Employment and Training Administration; U.S. Dept. of Commerce, Bureau of the Census; U.S. Dept. of Labor, Bureau of Labor Statistics)*

#### **Missouri Business Profile: All companies by size**

<b>Number Employees</b>	<b>Number Businesses</b>	<b>% Total</b>	<b>Total Employees</b>	<b>Total Sales</b>	<b>Avg. No. Employees</b>	<b>Avg. Sales</b>
Unknown*	8,919	3.6	N/A	2,582.00	N/A	3.9
1 to 4	161,613	65.0	349,401	46,414.70	3	0.4
5 to 9	33,205	13.4	210,737	21,804.00	6	0.9
10 to 24	24,736	10	358,742	56,626.30	15	3.4
25 to 49	9,949	4	327,408	38,988.60	33	6.6
50 to 99	5,629	2.3	363,675	102,345.90	65	33.6
100 to 249	3,064	1.2	427,955	95,154.40	140	66.1
250 to 499	819	0.3	265,781	86,730.00	325	231.3
500 to 999	364	0.1	236,266	71,924.40	649	418.2
1,000 to 2,499	175	0.1	257,645	86,561.10	1,472	901.7
2,500 to 4,999	45	0	146,513	12,769.40	3,256	638.5
5,000 to 9,999	8	0	49,476	1,320.60	6,185	330.2
10,000 to 14,999	2	0	21,959	11,545.20	10,980	5,772.60
<b>Total/Avg</b>	<b>248,528</b>	<b>100</b>	<b>3,015,558</b>	<b>634,766.60</b>	<b>13</b>	<b>3.2</b>

Source: Dun and Bradstreet, July-September, 2001 data

\*Unknown are generally sole proprietorships with no employees



The National Governor's Association, in its report *Nurturing Entrepreneurial Growth in State Economies*, makes the following observations concerning the contribution of entrepreneurship and small business contribution:

- ❑ Most fast growing, entrepreneurial companies are not in "high-tech" industries.
- ❑ Entrepreneurial growth companies are indistinguishable from small businesses until they enter a "growth" phase during which they are transformed into something almost entirely different.
- ❑ According to one study, EGCs or "gazelles" made up just 4 percent of all companies but generated 60 percent of the net new jobs.

The new economy is being propelled by growth in small, high-growth companies, commonly called "gazelles." Typically created and driven by entrepreneurs, gazelles account for nearly 70 percent of current economic growth. New and growing firms are a major source of new jobs in the current economy. Although Fortune 500 companies have lost more than 5 million jobs since 1980, more than 34 million new jobs have been added to the economy in the same period. In 1996 small businesses produced an estimated 64 percent – or 1.6 million – of the 2.5 million new jobs created.

Entrepreneurs and small businesses created the majority of these jobs.

The study also provides a breakdown, by Large Metropolitan Area (LMA), of high-growth companies and demonstrates that location and population do not preclude the presence of high-growth companies. The data highlights regional strengths upon which future economic development strategies can be built. Consistent with economic development theories based on industry clusters, the data show that 89 percent of all the LMAs in the country have comparative strengths in certain industry sectors, relative to other LMAs in their population class.

The following table provides data on each of Missouri's LMAs and their respective data on high-growth companies. LMAs without a noted "Strongest Business Sector" indicate that there isn't one dominant industry sector for the LMA.

### Missouri High Growth Companies by LMA

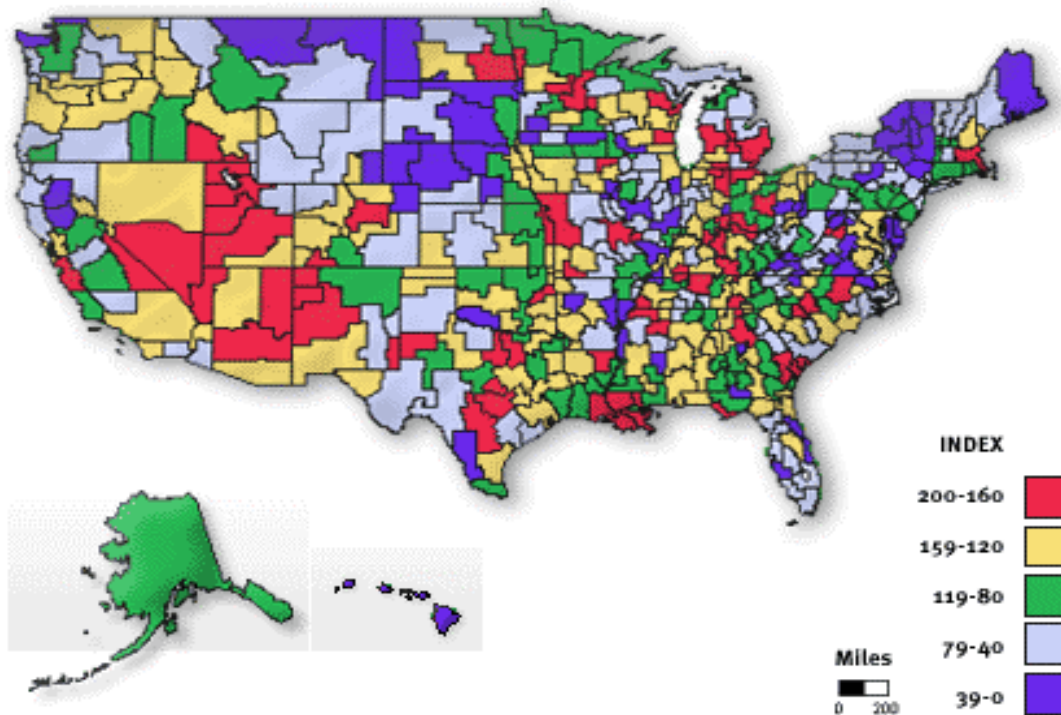
LMA	GCI Index	Total No. of Companies	Number of High Growth Companies	Strongest Business Sectors
Kansas City	178	44,852	2,634	
St. Louis	163	51,547	2,367	
Springfield	134	8,682	433	Distributive
Columbia	58	7,782	333	Local Market
Joplin	119	6,397	67	Manufacturing
Cape Girardeau	100	5,673	250	Distributive
West Plains	47	5,868	<b>255</b>	Retail
Kirksville	41	4,859	169	Manufacturing
Monett	170	2,442	139	Local Market
Farmington	65	2,320	89	Extractive, Manufacturing
Ft. Leonard Wood	54	1,919	68	Extractive, Manufacturing

### How Missouri compares to others

#### LANDSCAPE OF HIGH-GROWTH COMPANIES

1992-1997, by Labor Market Area

by The National Commission on Entrepreneurship



## **Factors influencing the measure**

Missouri businesses include entrepreneurs, minority businesses, technology companies, life sciences, information technology, advanced manufacturing and exporters. DED works with start-up companies and/or individuals wanting to start a business. Early stage and high-growth companies seek financing or technical assistance with the DED for business development and market expansion. Missouri business customers include existing businesses that seek help with problems and help with expansions within the state. Businesses located outside the state seek help from DED with analyzing Missouri for new locations. Film production companies seek help analyzing Missouri as a location for new films and commercials.

The manufacturing sector constitutes an important part of local and regional economies in Missouri, especially in rural areas. Missouri has a moderate to significantly diversified manufacturing base that seeks assistance with production issues. It is imperative that policy-makers understand the strengths and weaknesses of the state's manufacturing base. Given the nature of the global economy, policy-makers need to identify areas of economic comparative-advantage that they can build upon and areas of economic vulnerability that they need to strengthen.

Information technology, life sciences and transportation manufacturing comprise a significant portion of Missouri's economic activity. For instances, information technology directly employs 63,820 people, life sciences employs 31,797 people, and transportation manufacturing employs 65,767. Together, these three industries employ 161,384 individuals, or about 5.9% of Missouri's total employment. Further, these three industries contribute indirectly to the employment of many other individuals.

In terms of GSP across all economic sectors, Missouri has the 11<sup>th</sup> most diversified economy in the nation. Information technology, life sciences and transportation manufacturing comprise a significant portion of Missouri's GSP. Life sciences contribute 2.5%, and both information technology and transportation manufacturing comprise 4.4% of GSP. Together, these three industries directly contribute 11.3% of Missouri's total GSP. Indirect employment makes further contributions.

## **What works**

### Targeting Resources -- Focus on emerging industries

States that wish to improve their economic competitiveness in advanced technology, biotechnology, information technology and telecommunications should develop policies that nurture entrepreneurs. In these areas, entrepreneurial development plays a prominent role. Strategies to achieve this goal include:

- ❑ Improving access to capital
- ❑ Providing technical assistance
- ❑ Streamlining securities regulation
- ❑ Building intellectual capacity at state universities
- ❑ Creating industry clusters
- ❑ Improving entrepreneurship education
- ❑ Reaching out to entrepreneurs; and
- ❑ Recognizing entrepreneurial achievement

## Concerns

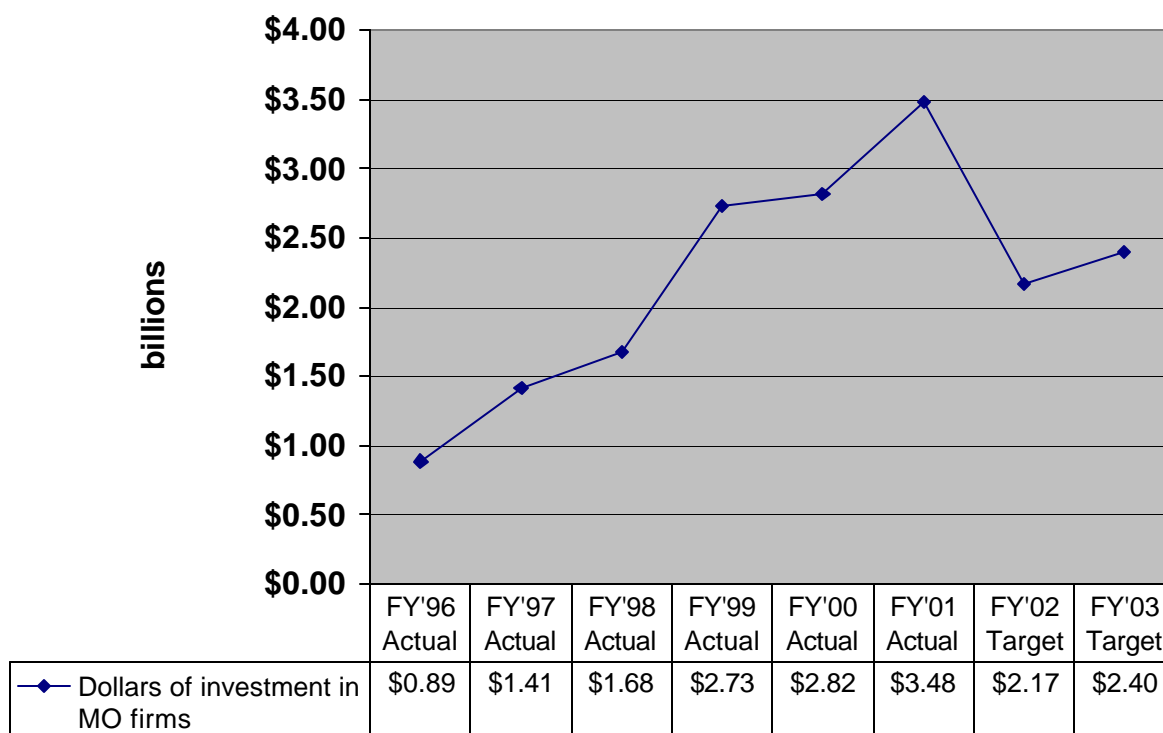
DED concentrates on the three industry clusters: information technology, life sciences and advanced manufacturing. In order to become a leading state in the information technology, life science and advanced manufacturing industries, Missouri must be able to attract and retain successful companies into the state. Missouri must be aware of the incentives and offers of other states and be primed to match or beat them. In addition, the state needs to provide the right environment and meet other needs of these companies. The development and expansion of the information technology, life sciences and advanced manufacturing industries will be critical to the economic prosperity of Missouri during the 21<sup>st</sup> century. Continued efforts by DED to increase partnerships with local and regional economic development organizations as well as the private sector will be absolutely essential for helping these businesses thrive and grow in Missouri.

## Other sources of information

None at this time

### Customer Group -- Businesses

#### Objective Measure #1 -- Increased number of dollars of investment in Missouri by firms



### Why this measure is important

“Investment” can be defined in a couple of ways. The first definition is the one that is most obvious and that is actual cash that is invested either by the owners or shareholders of the business or by an outside source. The outside source could be a bank, friends and family, an Angel investor or Venture Capital firm. A second definition is one that is not as obvious, but still very important to the success of a business. It is the investment the company makes in itself, such as by expanding, purchasing equipment, hiring staff or the expense of conducting research to further develop a product. In either case it is an investment in the future success of the business.

The investment measure is also important because it helps determine if Missouri has adequate funds to support the growth of businesses in the state and if there are other programs we could adopt to strengthen Missouri’s overall investment. For example, Missouri has many sources of late stage capital, meaning funds that are invested in companies that have been in business for several years and have a proven track record of being able to sell their product. However, Missouri is in desperate need of “seed” stage capital, or funds that invest in a company that has a product in the research and development or prototype phase, but has not been proven in the marketplace. Because of this, DED and several other groups supported and helped pass the New Enterprise Creation Act, which creates a fund for seed stage investing.

### Trend analysis

- ❑ The number of dollars of new investment into Missouri businesses has shown an upward trend from FY97 through FY2000.
- ❑ The Price Waterhouse Coopers’ (PWC) *MoneyTree Report* for the year 2000 shows that the dollar amount of venture capital in Missouri businesses totaled \$481 million in 2000, which is a 169% increase over the investments from 1999. On the national level, despite the turmoil of the public markets and the fall of the “dot-bombs,” venture capital investments were the highest in history. Due to venture capital investors being more selective as to the companies they invest in, businesses are looking more closely at their business models and looking at more creative ways to raise capital, such as joint ventures. According to the PWC report, they expect the investment pace to grow steadily over the course of 2001.

#### Missouri Venture Capital Investments Source: PWC MoneyTree

Year	Investment Amount
1997	\$124.3 million
1998	\$130.5 million
1999	\$283.7 million
2000	\$481 million

- ❑ CAPCO Investments also increased in 2000. Below is a chart depicting CAPCO investments in Missouri.

### CAPCO Investments

Year	Investment Amount
1997	\$ 9,566,752
1998	\$14,655,450
1999	\$16,774,975
2000	\$21,665,162
Total	\$62,751,339

- ❑ Further analysis shows \$558.6 million of new investment was made by foreign firms locating or expanding their operations in Missouri in the past two years.
- ❑ This trend is expected to hold steady.

### How Missouri compares to others

Venture Capital investments in the state are tracked by PriceWaterhouseCoopers (PWC) and *Venture Economics' Money Tree Report*. The reports track the amount of capital invested, number of companies receiving investments and industry sector of the companies. They release quarterly reports and the *Money Tree Report* annually. Investments are tracked by individual states and by region. Missouri is in the Midwest Region, along with Illinois, Pennsylvania, Michigan, Ohio, Kentucky and Indiana. According to the 1997 *Money Tree Report*, Missouri's venture capital investments grew at the sixth highest rate in the United States in 1997. In 1999, Missouri set a record with \$283.7 million invested in 20 companies as reported by the *MoneyTree Report of 1999*. Also, in 1999, Missouri ranked 20<sup>th</sup> in the nation for disbursements of venture capital and second to Illinois in the seven-state Midwest region according to Venture Economics Information Services (VEIS). Almost 82 percent of these investments were made by outside venture funds.

According to the 2000 PWC *MoneyTree Report*, venture capitalists invested approximately \$481 million in 30 Missouri deals during 2000. This figure eclipses the previous record for Missouri set in 1999. Companies in Missouri receiving venture capital investments in 2000 include: Atipa Linux Solutions, Kansas City, \$33 million; PaylinX Corporation, St. Louis, \$30 million; Celox Networks, Inc., St. Louis, \$68 million; CoreExpress, Inc., St. Louis, \$172 million; eScout.com, Lee's Summit, \$30 million. Although Missouri surpassed the venture capital investments of 1999, we fell to third in the Midwest Region behind Illinois and Pennsylvania.

### Source: PWC Money Tree Report 2000

State	Amount Invested	# of Deals
Illinois	\$1,610,000,000.00	136
Pennsylvania	\$ 537,000,000.00	56
Missouri	\$ 481,000,000.00	30
Michigan	\$ 305,000,000.00	47
Ohio	\$ 248,000,000.00	40
Kentucky	\$ 168,000,000.00	10
Indiana	\$ 156,000,000.00	16

In 2001, Missouri has not fared as well. According to the latest 2001 2<sup>nd</sup> quarter report by PWC, Missouri has only invested in 7 companies totaling \$104 million so far in 2001.

### **Factors influencing the measure**

One factor that greatly influences this measure includes the accuracy and reliability of the information. To date, there is no better way to track venture capital investing than the PWC system. However, in order to get accurate information they must rely on the venture capital firms filling out the survey and sending it back to them in a timely manner.

### **What works**

#### Targeting Resources -- Focus on emerging industries

DED has established many successes in the areas of life sciences, information technology and advanced manufacturing. Kyowa Foods, Incorporated is an example of that effort.

When Kyowa Foods, a Japan-based animal and human food additives producer, wanted to expand in Southeast Missouri for the second time in less than a year, Missouri was more than willing to support another life sciences growth opportunity. Kyowa Foods, Inc., a new sister company to Cape Girardeau based BioKyowa, Inc. will produce nucleotide seasoning, an ingredient used to enhance the flavor of a wide variety of human food products. In addition, BioKyowa is producing and marketing two more amino acids for animal food products.

The expansion will create at least 45 new jobs. Mr. Kohta Fujiwara, president of Biokyowa, Inc. stated "Missouri has worked with us in all aspects of the expansion as a business partner. The assistance they've provided us through employee training grants has helped us to continue to improve our most valuable resource-our people."

#### Targeting Resources --Target Industries

The targeted industries in Missouri consist of Life Sciences, Advanced Manufacturing, and Information Technology.

There are 1,250 total firms in Missouri that fall under the Life Sciences industry. These create 170,000 direct jobs with an average salary of \$38,000. Life Sciences contributes \$23,000,000,000 to the economy of Missouri, roughly 13.5% of the total state economy.

Missouri has 1,348 total firms in Advanced Manufacturing. The average salary for these 121,520 jobs is \$52,430. This contribution of \$29,800,000,000 to the economy accounts for 18.5% of Missouri's total economy.

There are 3,471 Information Technology firms in Missouri. The average Information Technology job pays \$53,563. Information Technology adds 74,558 jobs directly, and contributes \$14,400,000,000 to the economy. This makes up 8.9% of Missouri's total economy.

### Missouri Customized Training Program

The Missouri Customized Training Program provides assistance to Missouri employers for the training and retraining of new and existing employees. DED, through the Division of Workforce Development (DWD), operates the program in cooperation with the Department of Elementary and Secondary Education. Missouri employers may apply for On-the-Job Training, Classroom Training or a combination of the two.

In Fiscal Year 2001, there were 497 requests by companies for training assistance through the Missouri Customized Training Program. The year before, there were 524 requests made by companies.

In addition to the need for ISO 9000 certification, the most common type(s) of training requested by companies falls into two categories, soft training and technical skills. Many companies need their workers trained in “soft skill” areas such as team building, communication skills and problem solving. The most popular area in technical training is machine maintenance.

### **Concerns**

- ❑ Other states are developing incentives for non-manufacturing industries. Missouri’s competitiveness for new firms and expansions of existing firms may be jeopardized if incentives are not developed for non-manufacturing industries.
- ❑ Appropriate outreach to the small business community must be established and existing programs, such as the Missouri Business Assistance Center, existing business program and Office of Minority Business, as well as key partners such as University Outreach and Extension, Missouri Small Business Development Centers and Missouri Enterprise must be promoted. The continued development and support for the newly created Missouri Business Development Network is an essential part of this effort. Currently, almost 97% of Missouri’s firms are considered “small” businesses with 50% of the employment and estimated annual receipts of \$145.2 billion. Nationally, small businesses account for 96% of all exporters, 47% of all sales and 51% of all private gross domestic products.
- ❑ An incentive or loan program aimed specifically at the capital needs of rural small businesses, especially service and retail businesses (critical to strong communities), particularly in rural Missouri, needs to be created. The Urban Enterprise Loan (UEL) program, available to Kansas City and St. Louis, is a possible model.
- ❑ New investment is key in rebuilding distressed/targeted communities. Missouri needs additional programs/incentives to encourage firms to make new investments in distressed/targeted communities.
- ❑ An Applied Research Tax Credit program should be created to assist eligible Missouri businesses that contract with a university for commercialization or technology transfer of a product.
- ❑ As economies change and business need increases, the need for a skilled workforce is more critical to the economy than ever before. To assist with filling that need and in conjunction with our education and business partners, there now is a critical



requirement to have additional resources made available to assist in making Missouri's business and workforce competitive in this ever changing economy.

### Other sources of information

None at this time.

### Strategies:

#### Enhanced Product Design and Delivery

- ❑ Implement "Missouri Location One" site selection system for businesses and consultants.
- ❑ Implement the 2002 Marketing Plan to increase awareness and consideration of Missouri in site selection.

#### Technology

- ❑ Implement the Statewide Technology Plan.

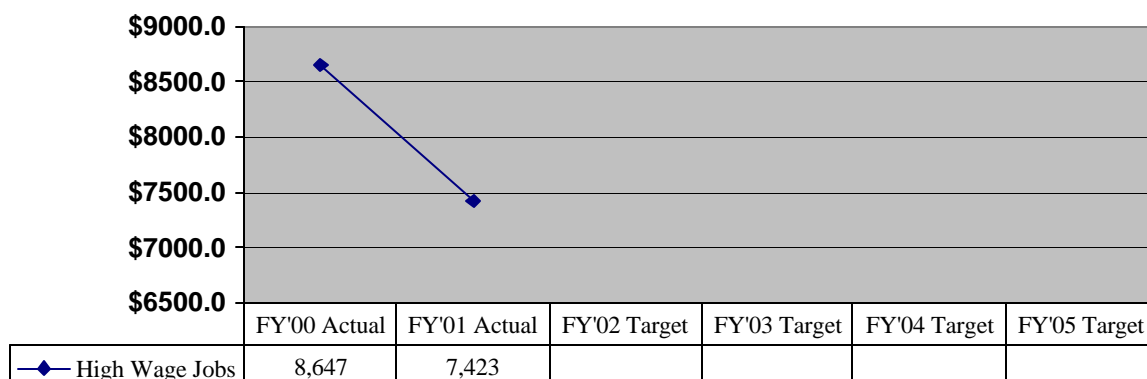
#### Governmental Reform/Integration

- ❑ Develop and support the Missouri Business Development Network. This network will put in place a seamless network of resource providers to aid entrepreneurs as well as new and existing business owners with their assistance and training needs.

#### Targeting Resources

- ❑ Enhance and continue the Regional Cooperative Marketing Program.
- ❑ Increase funding for Customized Training Program to help business maintain jobs and help workers earn higher wages.
- ❑ Renew funding for Capital Tax Credit program.
- ❑ Create Applied Research Tax Credit program.

**Objective Measure #2 -- Increase the number of high wage jobs created in Missouri by firms**



**Why this measure is important**

With an unemployment rate below historical trends (and below the national average), and limited financial resources for incentives, it is necessary to direct our resources where it can have the greatest effect on the economy, which studies indicate are “priority” projects with “quality” jobs. Priority projects are those which involve most types of industries with the exception of retail, services in intra-state commerce, and certain others; and that pay above the average for the area and have standards benefits. Quality jobs are new jobs created with wages above the county average and full benefits.

**Trend analysis**

Both FY’00 and FY’01 resulted in the same percentage of new quality jobs (72%) compared to the total new jobs created.

**How Missouri compares to others**

There are no established national data available that can be used to compare Missouri with other states.

**Factors influencing the measure**

The reduction of FY’01 new quality jobs compared to FY’00 is a function of the national economic slowdown. The percentage of quality jobs is controlled to a significant degree by the choices made by DED in both marketing efforts and the use of discretionary incentive programs. There are some non-discretionary incentive programs that do not allow flexibility in prioritizing the use of those incentives.

**What works**

DED directs its marketing efforts to attract targeted industries and priority companies. DED uses discretionary incentives in the most efficient manner for quality projects.

**Concerns**

The national economic slowdown continues into FY’02 with hopes that it will improve later in the year.

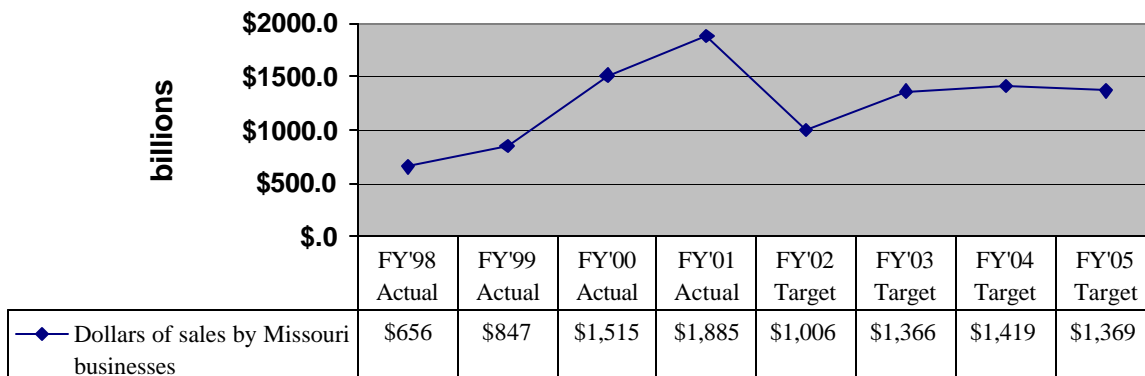
**Other Sources of information**

- ❑ Site Selection Magazine, listing of total new jobs created by states
- ❑ Barrents Study of Missouri Tax Credit Programs (1999)

**Strategies**

- ❑ Completion of Missouri Location One Site Selection database system
- ❑ Implement new strategies for marketing
- ❑ Improve incentive program applications/strategies

### Objective Measure #3 -- Increase the number of dollars of sales by Missouri businesses



#### Why this measure is important

Sales is a measure of the impact/value of assistance provided to companies. An increase in sales is expected to positively affect a company's profits.

#### Trend analysis

- ❑ The number of dollars of sales increases experienced by firms has shown an upward trend from FY'98 through FY'01.
- ❑ Through the Office of International Business (OIM), approximately \$1.8 billion in new sales was generated during FY'01. Export sales are projected to increase by \$45 million annually if funding is approved for outreach to China and Africa.
- ❑ Small business assistance through the Office of Business Information and Office of Minority business generated \$15.5 million in new sales for 145 companies over the last three years. The creation of the Missouri Business Development Network will make more staff and resources available to assist Missouri's small businesses in creating additional sales.
- ❑ The "1997 Survey of Minority-Owned Business Enterprises" just released by the Bureau of the Census shows that nationally the number of African American-owned firms increased by 25.7% from 1992 to 1997 and the number of Hispanic-owned firms increased by 30% compared with an increase of 6.8% for all firms. State level data has not yet been released.

#### How Missouri compares with others

No comparisons at this time.

#### Factors influencing this measure

None at this time.

#### What works

##### Integration

OIM has developed a targeted holistic approach to trade development, inclusive of education, relationship building, promotion and increased export sales success. This

approach has resulted in a substantial increase in the number of firms seeking international assistance from OIM. Two strong international efforts are Africa and China. In FY00, the Africa office created new sales of over \$30 million, most by small, entrepreneurial firms. Sales should increase to over \$100 million in FY02. Current activities in China have resulted in new sales of over \$75 million.

### **Concerns**

- ❑ The leveling of the economy may have an impact on the volume of sales experienced by Missouri companies.
- ❑ Working with small businesses to increase their sales requires substantial staff time and resource commitment to identify market opportunities, match products with buyers, attend trade shows, assist with market plan development and market penetration efforts. The FY02 and FY03 budget cuts will reduce the number of customers that can be assisted.
- ❑ Approval of the staff and funding to create a presence in China and Africa will open up new markets for Missouri products. If Missouri does not take advantage of this new market immediately, other states and their companies will make major inroads and Missouri and its businesses will have lost a major market opportunity. China is expected to gain full access to World Trade Organization this year increasing opportunities. Should there be funding available, at least \$100,000 should be appropriated for an office in China.

### **Strategies:**

#### Technology

- ❑ Create a business portal for business access to state government.
- ❑ Implement the Statewide Technology Plan.

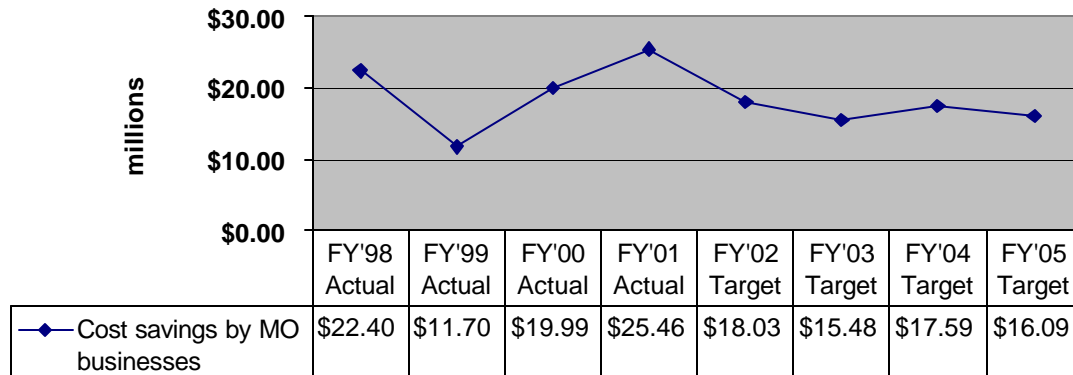
#### Governmental Reform

- ❑ Develop and support the Missouri Business Development Network.

#### Targeting Resources

- ❑ Request additional funding for Africa to fund a full time representative in South Africa and expansion efforts in West Africa.
- ❑ Fund a representative in China and hire an additional International Marketing Specialist for the Missouri office.
- ❑ Implement cooperative program with University of Missouri for Missouri International Training Institute to give upper-level business executives training on current international issues such as, establishment of a market in China.
- ❑ Increase participation in international trade exhibitions in Europe to increase export sales and foreign investment.
- ❑ Increase the ability of staff to assist businesses through increasing the number of staff who receive certification through the NDC.

**Objective Measure #4 -- Increase the number of dollars of cost savings by Missouri businesses**



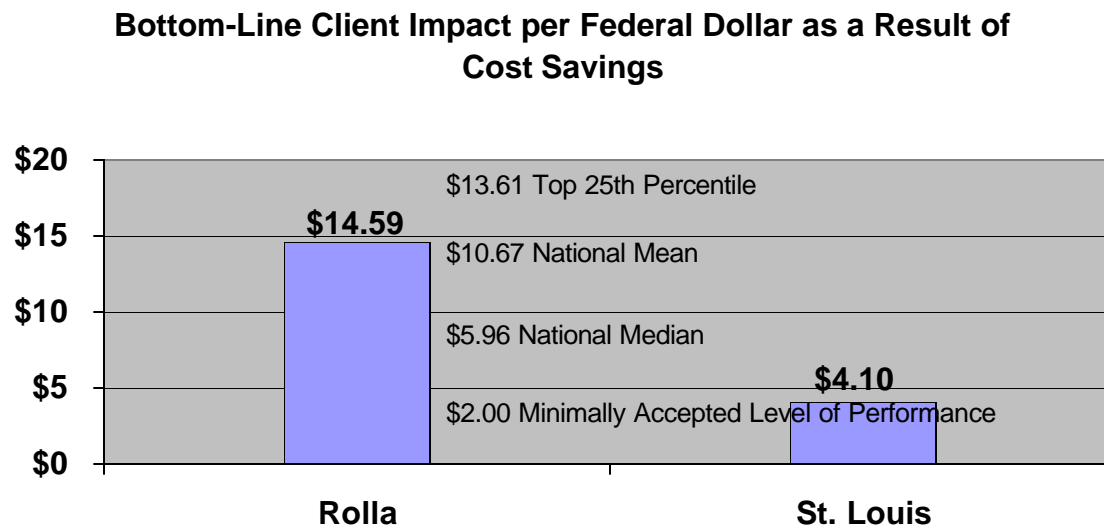
**Why this measure is important**

Cost savings adds to the productivity of a company's bottom line. When a company can achieve cost savings in their operation, it will either add to the profits of their current operation or the extra money received from savings will let them reinvest in their operations to further expand their business.

**Trend analysis**

- ❑ The number of dollars of cost savings has fluctuated from FY'98 through FY'01. Predicting targets is very difficult because one large project can dramatically impact performance.
- ❑ The majority of cost savings (nearly 98%) resulted from services provided by MidAmerica Manufacturing Technology Corporation engineers working with Missouri manufacturing companies. The remaining cost savings resulted from assistance provided to Innovation Center customers performed by OIM's foreign offices.

## How Missouri compares to others



### Factors influencing the measures

This measure includes the aggregate cost savings (labor, material, inventory and other) plus 15% of the revenue increases. The 15% is a nominal measure of that portion of incremental revenues (from expanding into new markets with existing products or introducing new products) that flow to net income - the bottom line.

### What works

Assisting businesses in implementing best practices and techniques in business and manufacturing processes, e.g., lean manufacturing.

### Concerns

None at this time.

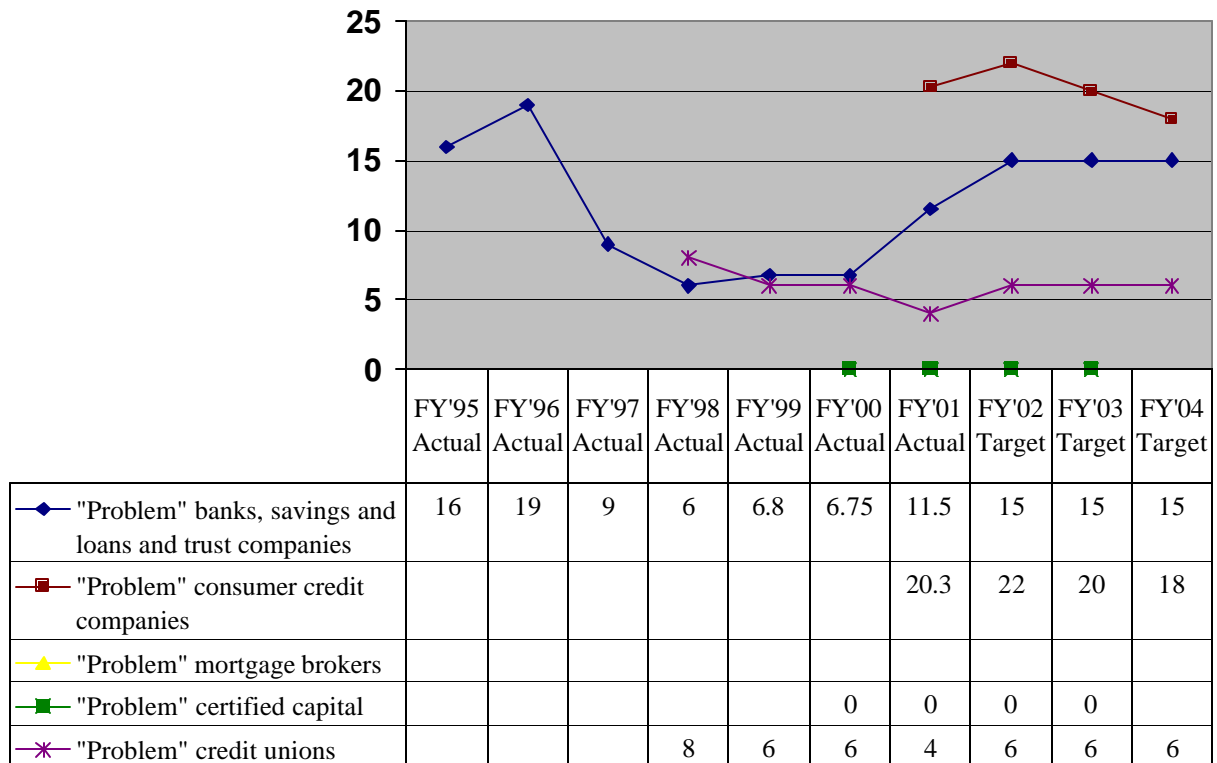
### Strategies

- Reduce inventory costs and increase material and labor savings for Missouri manufacturers through services of Missouri Enterprise and Centers for Advanced Technology.

**Outcome Measure – Increased number of Missouri’s regulated industries operating in a safe, sound, and fair manner and increased number of licensed professionals maintaining ethical practices**

### Customer Group – Regulated Businesses

#### Objective Measure #1 -- Decrease the number of "problem" financial institutions



#### Why this measure is important

The number of “problem” financial institutions provides a quick look at the overall health of the financial industry within the state of Missouri. Bank failures are rare when the number of problem institutions is low, as in recent years. Conversely, and as should be expected, bank failures experienced in the late 1980s and early 1990s were accompanied by an overall lower quality of institutions and, therefore, a much higher number of problem institutions. A sustained upward trend in the number of such institutions can most certainly be considered an indicator of imminent bank and other financial institution failures.

#### Trend analysis

- The number of problem banks, savings and loan associations and trust companies increased sharply in FY01. The number of problem consumer credit companies has declined due to newer companies improving upon re-examination. We cautiously

project the number of problem banks, savings and loan associations and trust companies to remain level for the next year.

- ❑ The average months of banks in problem status have been reduced dramatically in the last two years as longer term problems have improved sufficiently (or merged into other institutions) to be removed from problem status.
- ❑ Only one institution removed from problem status since the end of FY94 has subsequently deteriorated to problem status again (was then improved in only 6 months).
- ❑ The number of problem credit unions has decreased. As of June 30, 2000, the number of problem credit unions has decreased to 5. This reduction is attributed to aggressively working with these credit unions to improve their financial situation. The problem credit union trend is expected to be level.

## **How Missouri compares to others**

### Credit Unions

Missouri participates in the Texas Credit Union Department's Benchmarking Program. The following table shows Missouri ranking in the percentage of "safe and sound" credit unions for the quarter October – December 2000. These numbers are updated quarterly.

#### Percentage of Credit Unions that are "safe and sound"

Wisconsin	99.1%
Michigan	98.3%
Missouri	97.7%
North Carolina	96.5%
Texas	93.8%

### Banks

Although comparative data (by states) is not readily available, the number of problem institutions is low by historical standards. This can best be measured by the number of financial institution failures in the United States. Since 1934, there have been over 3,000 failures of institutions whose deposits were insured by the U.S. Government. The majority of these failures occurred from 1985 through 1992 when nearly 2,500 institutions failed (at least 180 failures in each of those eight years). Since 1992, except for 1993 and 1994, the number of failures has been fewer than 10 each year. There have been no failures in Missouri since 1994. The last Missouri state-chartered institution failure was in 1992.

## **Factors influencing the measure**

### Credit Unions

Factors influencing the number of credit unions that are in problem status include the national, state and local economies; quality of credit union management, including volunteers; field of membership as it relates to members who may be experiencing loss of income because of a layoff or business closure.



## Banks

The single largest influence on the condition of financial institutions today is the strength of the economy. Poor economic times and weak agricultural years were the primary reasons for the large number of financial institution problems of the middle to late 1980s and early 1990s. Since that time, economic times have generally been much more favorable allowing for many years of record performance for financial institutions in the United States. Finally, despite recent economic weaknesses, institutions have been more able to weather certain weaknesses due to better planning, risk management, and diversification. We believe regulation has played a big role in this area.

## **What works**

### Credit Unions

The Division of Credit Unions uses proactive examination techniques for early identification of potential problems and close coordination with the credit union to resolve the concerns.

### Banks

Addressing problems within financial institutions is best handled through direct contact with their boards of directors and active management teams. This is accomplished with periodic on-site examinations as well as off-site monitoring. By maintaining close contact with management of problem institutions, weaknesses can normally be addressed within reasonable time frames enabling problem institutions to return to satisfactory condition in a relatively short time period.

## **Concerns**

- ❑ The length and depth of the economic slowdown will adversely affect credit quality and the financial health of the industry.
- ❑ Maintaining an experienced and trained examination staff is critical to effective identification of risky banking practices and prompt resolution of problems.
- ❑ Recent declines in interest rates should help to relieve strains on financial institutions as borrowers become more able to meet loan repayment requirements.
- ❑ Agricultural borrowers face continued low prices on the goods they produce.
- ❑ Competitive pressures from traditional and non-traditional sources present a never-ending challenge to financial institutions of Missouri.
- ❑ In an ever-changing environment, credit unions have had to look at alternative ways to generate loan demand. There is a concern that the added risk incurred could cause future losses to the credit unions.
- ❑ The general outlook on a national level for small credit unions is bleak. Small credit unions may not have the resources, specifically for technology, to be able to compete in the financial institution market.
- ❑ The cooperative effort between credit unions of all size could suffer as competition stiffens in the industry.

## **Other sources of information**

Information on institutions regulated by DED is readily available (within statutory limits) from the Division of Finance and Division of Credit Unions. Other sources of valuable

information include the Federal Deposit Insurance Corporation and other Federal Agencies whose responsibilities include the regulation of financial institutions.

### Strategies:

#### Enhanced Product Design and Delivery

- ❑ Prepare for economic downturn by utilization of pro-active examination and institution monitoring techniques.
- ❑ Increase public awareness in financial matters by improving financial education offered by the public school system.

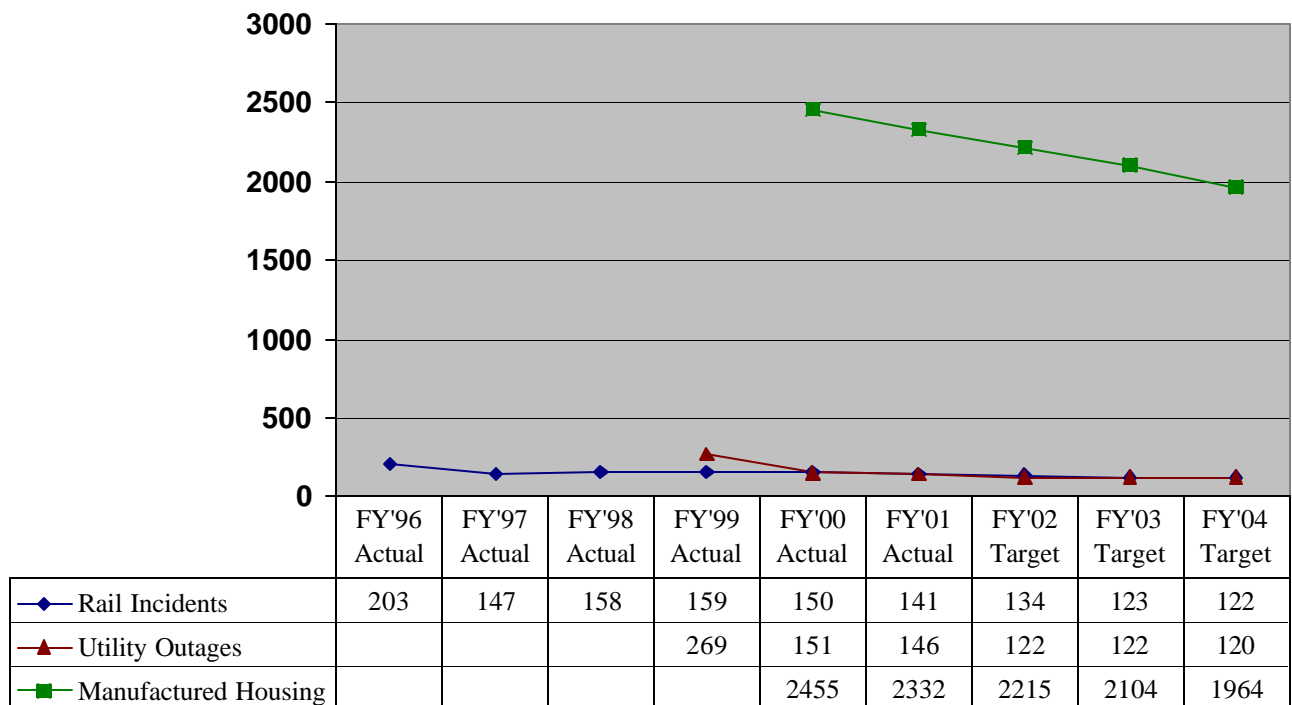
#### Integration

- ❑ Continue to foster a relationship with the Department of Insurance and Division of Securities with respect to the evolving financial institution environment brought about by financial modernization legislation.
- ❑ Continue our support of the Education Foundation of the Conference of State Bank Supervisors by providing instructor resources as often as practical.

#### Other

Investigate methods to increase deposit growth in banks in order to reduce liquidity pressures.

### Objective Measure #2 -- Decrease the number of safety incidents and service problems by Missouri's regulated industries



## **Why this measure is important**

### Railroads

Disruptions in rail traffic have a ripple effect on the nation's economy, jobs and industrial output. A majority of the chemicals that go to Chicago, Detroit and Cleveland (industrial centers that make up the "Rust Belt") pass through Missouri. Missouri is in the top 4 automotive manufacturers, and all parts and completed products are shipped by rail. A disruption in the rail traffic would cause a 24 hour shutdown in assembly lines.

### Utilities

Utility services and infrastructure are essential to the economy of Missouri. Virtually every Missouri citizen receives some form of utility service from an investor-owned public utility company. Utility services provide heating and cooling during extreme temperatures. They offer access to emergency services and vital information systems. They provide safe drinking water and assure the environmentally sound disposal of wastewater.

As utility markets are increasingly opened to competition, utility consumers will be faced with a greater burden of choice. The Public Service Commission (PSC) will help consumers make informed choices in these newly created markets by expanding its focus beyond traditional regulatory responsibilities into areas of consumer awareness, education and protection. Following are selected utility statistics.

Telephone Statistics: As of July 1, 2000, there were approximately 3.4 million telephone access lines and 695 exchanges.

Natural Gas Utilities Statistics: During Calendar Year 1999, there were 1,226,645 natural gas residential customers.

Electric Utilities Statistics: During Calendar Year 1999, there were 1,545,425 electric residential customers

Water Statistics: During Calendar Year 1999, there were 443,872 water customers (Class A, B, C, D combined).

Sewer Statistics: During Calendar Year 1999, there were 10,926 sewer customers (Class B, C, D combined).

The PSC regulates over 1,000 investor-owned electric, natural gas, telephone, water and sewer utilities. In addition, the PSC regulates the state's 48 rural electric cooperatives and 42 municipally owned natural gas utilities for operational safety. The PSC also regulates the manufacturers and dealers of modular homes. The Missouri PSC is the only public utility commission in the United States that regulates manufactured housing.

The PSC oversees service-territory issues involving investor-owned electric utilities, rural electric cooperatives and municipally owned electric utilities as well as investor-

owned water and sewer utilities and public water supply districts. Under federal law, the PSC also acts as a mediator and arbitrator of local telephone service disputes regarding interconnection agreements.

## **Trend analysis**

### Railroads

- ❑ Increasing train traffic as well as increasing vehicle traffic increase the potential for collisions.

### Utilities

- ❑ The numbers of utility outages are consistent with historical information, the exception being in the water industry where extenuating circumstances impacted the number of outages in FY00.
- ❑ There is a declining trend in the number of telecommunications outages. The reduction in outages could be attributed to fewer telecommunications line cuts by excavation digging. (As more businesses become aware of and educated about the benefits of the One-Call program and the legislation requiring participation, we could expect the number of outages related to digging to reduce even more.)

### Manufactured Housing

- ❑ The Manufactured Housing Department would expect the number of incidents of non-compliance to decrease through their efforts to train and educate dealers and installers on proper set-up and installation techniques.
- ❑ Complaint inspections are decreasing because a new inspection process has been implemented. The numbers of complaint inspections do not reflect the total number of complaints received.

## **How Missouri compares to others**

### Railroads

According to the Year 2000 Federal Rail Statistics for all states, Missouri ranked 17<sup>th</sup> in nonfatal injuries caused by crossing incidents and 6<sup>th</sup> in fatal injuries in that same category. When compared to states in number of train accidents, Missouri ranks 8<sup>th</sup>.

## **Factors influencing the measure**

### Railroads

Factors influencing Missouri's ranking include size of rail terminals, size of state, number of railroad miles, number of crossings and amount of rail traffic. Missouri has the 2<sup>nd</sup> and 3<sup>rd</sup> largest rail terminals in the country, second only to Chicago. Missouri has a proportionately larger amount of rail traffic for the size of the state, number of railroad miles and number of crossings. Missouri is in the heart of the east, west, south and north major rail corridors and half of all rail bridges across the Mississippi River are located in Missouri. There are approximately 100 strategic railroad bridges in Missouri. Because of Missouri's central location and the additional traffic resulting from NAFTA, Missouri has been experiencing an increase in rail traffic.

## **What works**

### Railroads

#### Railroad crossing upgrades and closures

- ❑ The division promotes corridor projects that focus on improving multiple contiguous crossings. In conjunction with corridor projects, the division encourages cooperative funding efforts with railroads and cities. The Federal Railroad Administration has a national target of closing 25% of all crossings in the United States.

### Motor Carriers

#### Target Selection

- ❑ The selection process for motor carrier safety audits focuses safety efforts on carriers who have had repeated roadside violations or accidents. Carriers operating safely do not appear on the “radar screen” and are not burdened by safety audits.

### Utilities

The passage of HB 425 during the 2001 legislative session is expected to reduce the amount of physical damage to underground utility “facilities” caused by excavations. The legislation is intended to prevent physical damage to Missouri’s underground utility “facilities” by requiring all facility owners to participate in a statewide notification center. The “One Call” center provides a comprehensive network for collecting notices from excavators and promptly providing those notices to owners with facilities in the excavation area. Excavators and owners can work together to assure that facilities are accurately located before excavation begins.

## **Concerns**

### Railroads

- ❑ Increasing train traffic as well as increasing vehicle traffic increases the potential for collisions.
- ❑ There are a finite number of projects that can be funded at the current level. Normal inflation of product cost gradually increases the overall cost of a typical project and ultimately reduces the number of projects possible in a given funding period. Additional funding would increase the number of crossings that receive lights and gates.
- ❑ Crossing closures at times are more feasible if they are partnered with an improvement project of a neighboring crossing. Funding constraints for improvement projects can have a direct impact on the number of closures.
- ❑ Crossing closures can have opposition by the local community. Part of the closure process involves town meetings and education of the safety benefits a closure can bring to a community.
- ❑ The current funding cap on railroad assessments (funding source for administrative costs of the railroad safety section) prevents the division from assessing the actual cost to the railroads. As result, up to \$100,000 can be transferred from the Grade Crossing Safety Account to cover the administrative costs. Subsequently, the total number of crossing projects funded will be reduced.

### Motor Carriers

- ❑ The number of trucking companies continues to increase as well as overall road traffic. As numbers increase, the need to provide education and information increases. It is important to get companies into compliance from the start of business in order to prevent violations.
- ❑ Capturing the scope of the population of carriers who should be registered but are not will be a challenge.
- ❑ Co-location and consolidation of motor carrier service agencies will increase the Division of Motor Carrier and Railroad's access to groups of carriers not currently registered with the division. This will facilitate surveys to identify the population and establish a baseline.

### Utilities

- ❑ PSC performs on-site inspections of the utilities' facilities and does not find the number of outages routinely reported to be concerning.

### Manufactured Housing

- ❑ Large numbers of violations continue to be attributed to anchoring and set-up and installation problems.
- ❑ HUD has notified the Manufactured Housing Department that monthly HUD payments will be cut in half for April and May, 2001, pending an appropriation agreement with Congress. It is also possible that all funding could cease until the HUD appropriation is approved. The Manufactured Housing Fund balance will have to be utilized to sustain operations during this time period.

## **Strategies**

### Railroads

#### Targeting Resources

- ❑ Decrease the number of potentially dangerous railroad crossings in Missouri with crossing closures and upgrades through cooperative funding initiatives with railroads and communities.

### Motor Carriers

#### Targeting Resources

- ❑ Increase compliance of motor carriers with safety regulations through targeting audits to carriers with repeated violations or accidents.
- ❑ Increase educational outreach efforts and safety seminars with the intent of making carriers aware of safety regulations and helping carriers comply with regulations before violations occur.

### Governmental Reform/Integration

- ❑ Partner with the Department of Revenue to increase awareness by private carriers of safety regulations.
- ❑ Consolidation of motor carrier agencies will facilitate increased compliance of safety regulations because of better access to carriers and increased opportunities to provide information on safety compliance.

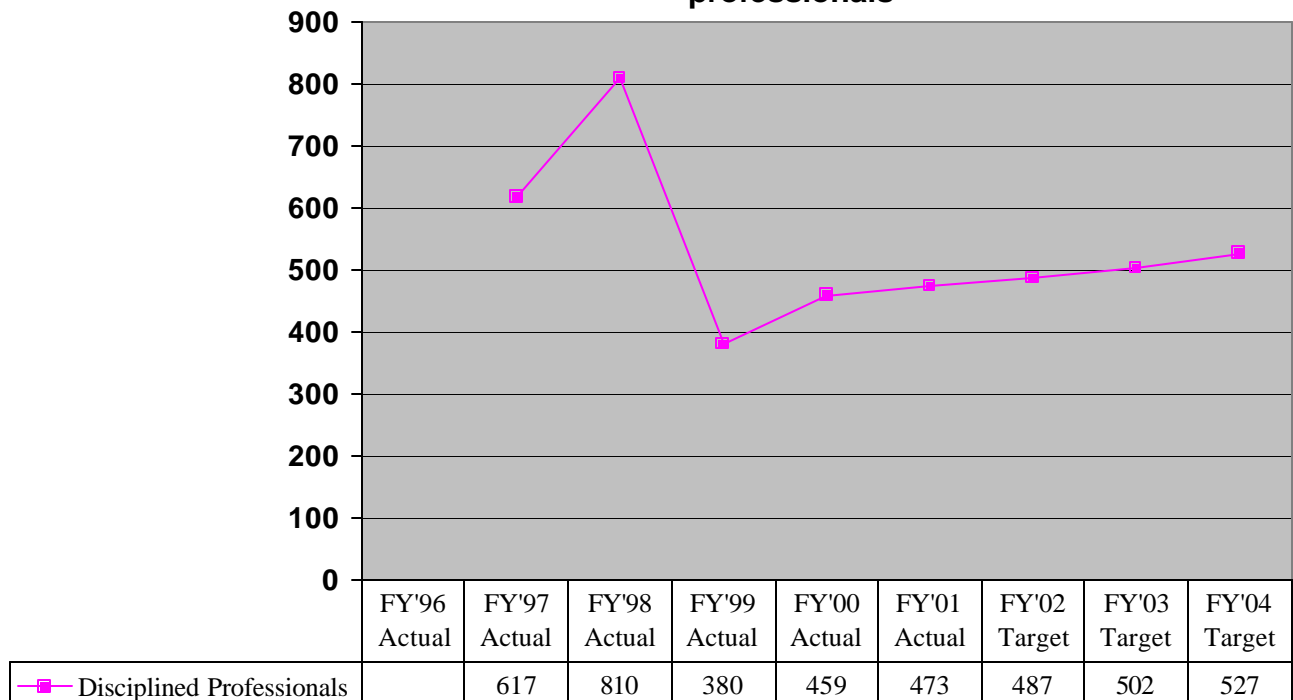
### Utilities

- Continue advocating for and educating utility companies on the benefits of the One-Call program. Legislation did pass this year, but as passed, required participation will be phased in and is dependent upon whether the utility company is in a rural or urban area.

### Manufactured Housing

- Increase dealer lot inspections.
- Develop a set-up and installation training program that will provide dealers and set-up crews with filed instruction pertaining to proper set-up of manufactured homes and modular units.

#### **Objective Measure #3 -- Decrease the number of incompetent, negligent, fraudulent, dishonest services by licensed professionals**



#### **Why this measure is important**

The Missouri Division of Professional Registration is comprised of over thirty professional licensing boards, committees and commissions that are responsible for safeguarding public health, safety and welfare. Along with licensing and regulating the individuals practicing these professions, numerous boards also license and regulate the business/facility as well. The Division of Professional Registration regularly inspects facilities ranging from pharmacies and funeral homes to barber shops and veterinary clinics. Although the statutory authority varies from profession to profession, the division is primarily responsible for ensuring that space and cleanliness standards are

met. Those facilities that are found to be in violation of the laws or regulations may have their license disciplined and/or face possible loss of the license.

### **Trend Analysis**

Based on actual history over the last four years, the division does not anticipate a significant increase or decrease in the number of complaints received or in the number of licenses disciplined annually. Possible contributors to this trend include the enhanced availability of information by the division/boards through websites, newsletters, brochures, etc. and providing up-to-date information to other agencies (i.e. Medicaid, Child Support Enforcement, Revenue, etc.) to assist in ensuring safe and reliable professional services are provided by Missouri regulated professionals.

### **Factors influencing the measure**

None identified at this time.

### **What works**

All of the boards within the Division of Professional Registration publish a newsletter, at least annually, to ensure that licensed professionals are kept informed of the current standards of practice. In addition, various boards have taken a more proactive stance to inform their licensees about specific regulations by conducting educational sessions for the licensees at no cost to them.

### **Concerns**

Finding ways for an impaired practitioner to seek treatment without adversely affecting his/her ability to practice.

### **Strategies**

- ❑ Prohibit unlicensed and/or unsafe practice by establishing injunctive authority, subpoena authority and fining authority for the boards.
- ❑ Increase consumer representation on boards.
- ❑ Require health care professionals to maintain patient records.
- ❑ Track complaints by type (i.e. malpractice, ethics violation, etc.) to determine if there are specific areas that are consistently being violated.

### **Outcome Measure: Increased personal wealth for all Missourians**

#### **Why this measure is important**

Refinement of measures is anticipated through Governor Holden's Economic Prosperity Initiative.

#### **Trend analysis**

Refer to the information on pages 6 – 12 for regional information on poverty rates, per capita income rate and unemployment rate.

#### **How Missouri compares to others**



Based on data just released by the U.S. Census Bureau, median real<sup>2</sup> income of households in Missouri increased more rapidly in the recent period than in any other state, except for Delaware.<sup>3</sup>

Because of wide sampling variability in the estimates, the Bureau calculates change using two-year average medians. This year's calculation involved the change between the average median for 1998-1999 and that for 1999-2000. Using 2000 dollars, the Missouri increase was 5.9 percent between these two averages. Delaware's increase was 7 percent. Four other states had statistically significant increases: Maine, Iowa, California, and New York. Three states had significant decreases: Washington, Alabama, and Louisiana. Changes in the other states were not statistically significant. The estimate for the entire U.S. increased 1.3 percent between the two average medians. (See map.)

No detailed data for states, such as composition of income, is available to help explain the changes.

To compare relative ranking of states, the Bureau uses a three-year average median (1998-2000). Because of sampling variability surrounding the estimates, the relative standing of most states is not clear.<sup>4</sup> The average median estimate for Missouri -- \$44,247 -- is higher than the estimate for the U.S. (\$41,789). Seventeen states had estimates higher than Missouri's.

Previous publications of this type show the following:

#### 1999 Data.

- ❑ Real median household income in Missouri was not statistically significantly different in 1998-99 than it had been in 1997-98 (although the estimated increase was 4.5 percent.)
- ❑ 3-year average median income in Missouri (1997-99) was \$40,166 (1999 dollars), not statistically significantly different from the U.S. average of \$39,657. (20 states had higher averages, but comparison is unclear because of sampling variability)

#### 1998 Data

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<sup>2</sup> Adjusted for inflation

<sup>3</sup> Although the increase in income in Missouri is statistically significant, the difference between Missouri's increase and those of the other five states showing significant increases, may not be significant, because of sampling variation.

<sup>4</sup> "Comparing the relative ranking of states using 3-year average medians for 1998-2000 shows that the median income for Maryland, although not statistically different from the median incomes for Alaska, New Jersey, Connecticut, and Minnesota, was higher than that for the remaining 45 states and the District of Columbia. Conversely, the median household income for West Virginia, although not statistically different from the median for Arkansas, was lower than the incomes of the remaining states and the District of Columbia. The relative standing of the remaining states and the District of Columbia was less clear because of sampling variability surrounding the estimates." *Money Income in the United States: 2000* (P60-213, U.S. Census Bureau).

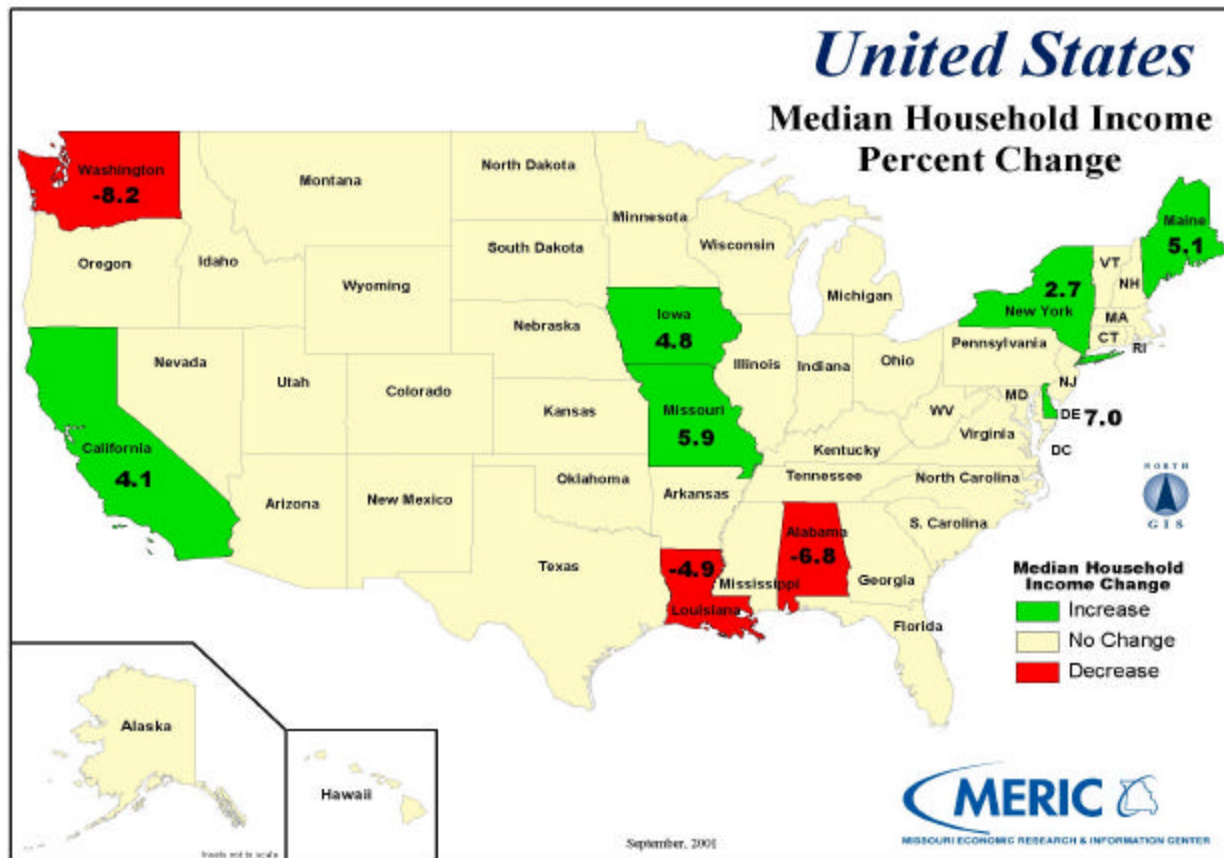
- ❑ Real median household income in Missouri increased by 6.3 percent between 1996-97 and 1997-98, a statistically significant increase. About eight states had higher estimated increases.
- ❑ 3-year average median income in Missouri (1996-98) was \$37,640 (1998 dollars, not statistically significantly different from the U.S. average of \$37,669. (22 states had higher averages, but comparison is unclear because of sampling variability.)

#### 1997 Data

- ❑ Real median household income in Missouri decreased slightly (0.2 percent) between 1995-96 and 1996-97, but the decrease was not statistically significant.
- ❑ 3-year median household income in Missouri (1995-97) was \$36,093 (1997 dollars), not statistically significantly different from the U.S. average of \$36,399.

There are few other types of income data that are available to help shed light on changes reported by the CPS data.

The personal income data produced by the Bureau of Economic Analysis of the U.S. Department of Commerce (BEA) involve considerably different concepts. They are available on an annual basis, which helps track changes in income across time. The normal way of standardizing these data across states of different sizes is the per capita personal income measure: total personal income divided by the total population. Because population estimates for 1991-2000 incorporating the 2000 decennial census are not yet available, BEA has not published per capita personal income data for those years. There is nothing in the total personal income data that readily explains recent changes in estimated median household income.



### Factors influencing the measure

The dynamic marketplace is the starting point to define the competitive workplace needs of employers and the escalating skill requirements for workers. To be effective and valuable for the employer community, Missouri Career Centers must align services and training to the skills required in the local economy.

In the fast-paced global economy, workers who possess strong academic skills that can be applied effectively in the workplace are a company's most valued assets. Yet, with knowledge and skill requirements changing at breakneck speed, employers, employees, educators and students alike struggle to stay in touch with the escalating demands of the workplace and how to translate those requirements into competency-based training.

### What works

None at this time.

### Concerns

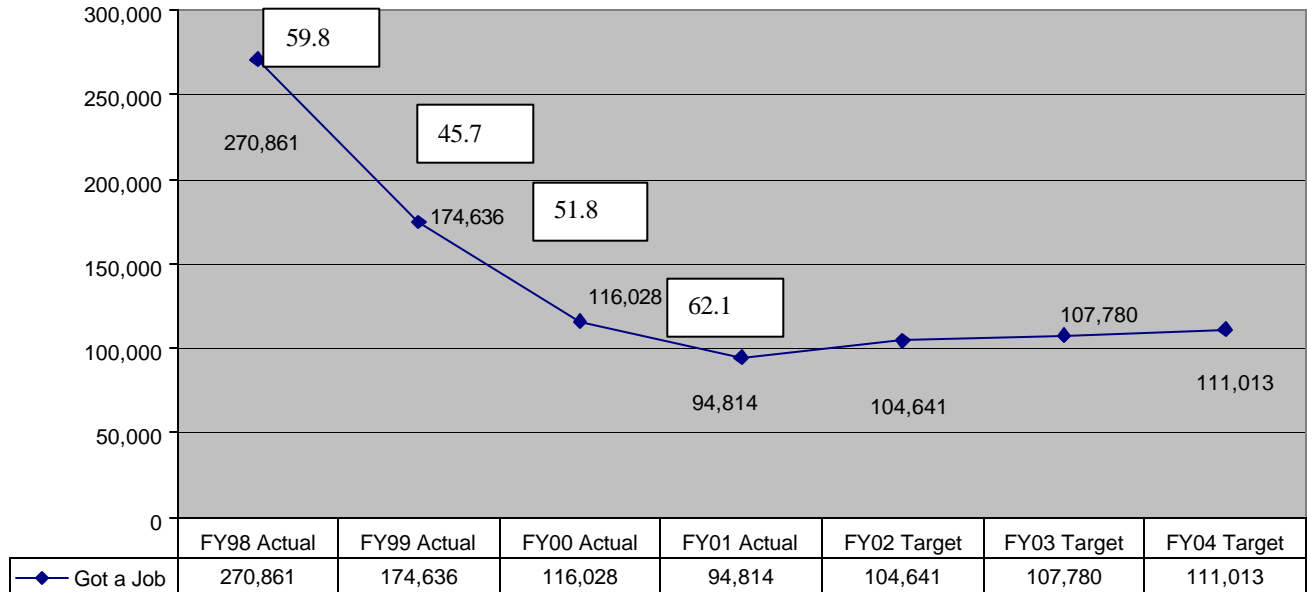
None at this time.

### Other sources of information

None at this time.

## Customer Group -- Workers

### Objective Measure #1 -- Increase the number/rate of unemployed people who get a job (enter employment)



Rates are the number of unemployed people who got a job of the total number of unemployed people who exited the system.

#### Why this measure is important

While some of the workforce measures disregard “unemployed” as a prerequisite to measurement, one of the historical needs that must continue to be met is that of getting unemployed people into the workforce. Whether it be the recently unemployed, long term unemployed or those that have never become attached to the workforce, unemployed citizens, as a group, have distinct needs and strategies.

For example the Division of Workforce Development assists ex-offenders and offenders who are on probation and/or parole with their employment needs.

Ex-Offenders are eligible for all services provided through a Career Center both Wagner-Peyser and Workforce Investment Act and adult or youth services as appropriate. In addition, training assistance may be available under the Workforce Investment Act.

Through the Probation and Parole Placement contract with the Department of Corrections, four counselors (located in Kansas City, St. Louis, Kennett and Springfield) help place targeted offenders who are on probation and/or parole into permanent full-time employment. The counselors provide vocational counseling, job search skill training and job development and placement services.

Currently, there are computer repair classes being offered at the Central Missouri Correctional Center in Jefferson City and the Women's Eastern Reception Diagnostic and Correctional Center in Vandalia, Missouri. The computer training repair class in Vandalia is operated by the Central Region - Workforce Investment Board in Rolla. The inmates that participate complete the program with specific computer repair skill sets that are in high demand. These programs are funded through a discretionary grant to the Central Workforce Investment Board.

The Women's Council received a grant from the Division of Workforce Development to establish an A+ computer repair program for the Chillicothe Correction Center. The A+ Computer Repair Certification Program is a 19-week program that includes an instructor-facilitated software tutorial program with hands-on practice of classroom material leading to A+ certification.

### **Trend analysis**

At this point a valid trend can not be devised, since the methodology for calculating this measure was changed in FY00 to bring it into alignment with comparable federal measures. Targets were revised based on this new methodology as well. Future comparisons to this baseline year and comparisons to the federal earnings increase measures will allow the Division of Workforce Development (DWD) to assess the level of improvement in these outcomes. Presently, quarterly increments of this outcome are being analyzed for seasonal trends.

### **How Missouri compares to others**

There are no national standards available for all funding sources included in this measure.

### **Factors influencing the measure**

Certainly the unemployment rate can have an influence over the numbers of unemployed who naturally migrate to Workforce Career Centers for service. However, a part of the Welfare Reform efforts will identify numbers of former Temporary Assistance to Needy Families clients who will no longer be eligible for those benefits and will need assistance to enter the workforce. Those customers will begin reaching their five-year limit in July 2002.

### **What works**

Strong partnering with agencies with access to large numbers of unemployed individuals can enhance outreach. Our existing partnership with the Division of Employment Security creates access to individuals with an existing Unemployment Insurance claim as they report to Workforce Career Centers every four weeks. The State's Rapid Response efforts also provide a venue for encouragement to access services. Once attracted to services, initial assessment of skills combined with opportunities to acquire additional (or basic) skills is the foundation to transition to employment.

## Concerns

With the potential for large number of former Temporary Assistance to Needy Families recipients needing employment but lacking job skills, the availability of sufficient funds for training may be a great concern.

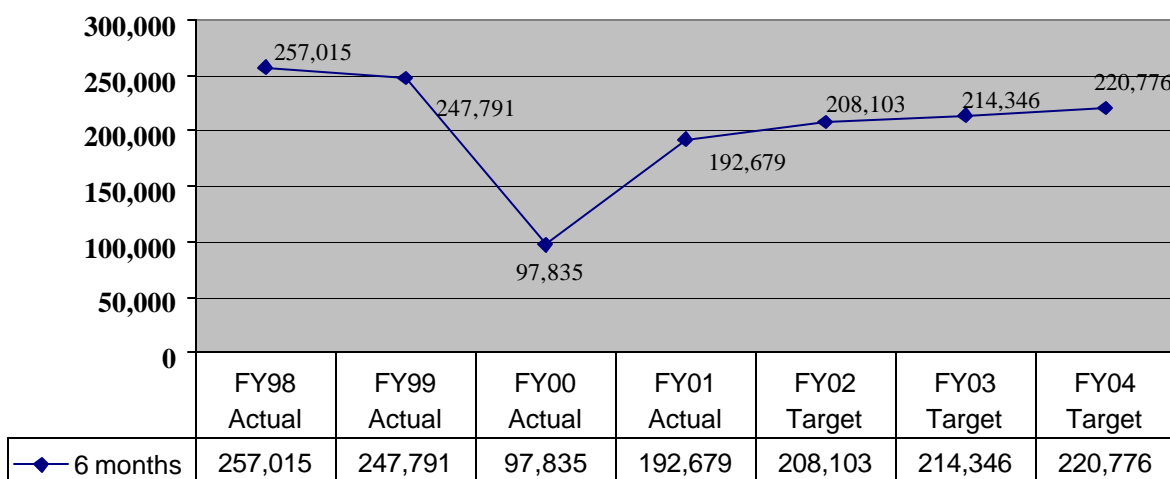
## Other sources of information

None at this time

## Strategies

Continued partnering, strong assessment and recruitment are among the strategies that will probably lead to the greatest success.

### Objective Measure #2 Increase the number of people employed after 6 months



## Why this measure is important

In order to maintain a more stable workforce concentrating on placing people into jobs with a career path is critical. While this measure does not calculate whether a person remains with the same job, it does measure our ability to provide customers with both long range employment opportunities and the tools necessary to return to the workforce quickly. It also focuses our efforts toward building better labor market information, lifelong learning opportunities and return customers.

## Trend analysis

- At this point a valid trend can not be devised, since the methodology for calculating this measure was changed in FY00 to bring it into alignment with comparable federal measures. Targets were revised based on this new methodology as well. Future comparisons to this baseline year and comparisons to the federal earnings increase measures will allow DWD to assess the level of improvement in these outcomes.

Presently, quarterly increments of this outcome are being analyzed for seasonal trends.

- ❑ DWD uses a series of longitudinal research projects conducted by the University of Missouri, Department of Economics to assess the impact of particular workforce services on different client populations. The most recent of these, presented to the Missouri Training and Employment Council in June 2001, provided the following conclusions:
  - The decline in participants in the workforce development system over the last two to three years can be directly attributed to the strong economy over the same period.
  - More and more job seekers are entering the system not just to “find a job” but to seek better jobs.
  - Participants entering the system without jobs tend to have fewer skills and require more intensive types of services than those entering the system to seek better employment.

### **How Missouri compares to others**

There are no national standards available for all funding sources included in this measure.

### **Factors influencing the measure**

Missouri's economy may well influence all DWD measures, although, certainly, additional analysis of those trends is warranted. While some programs (Workforce Investment Act, Welfare to Work) have a "built-in" follow up component that will influence efforts to help customers re-enter the workforce when jobs are lost, better referrals to growth occupations for which customers have necessary skills can also be a strong influence.

### **What works**

Concerted follow-up efforts are certainly helpful, but strategies to work with employers to identify the most appropriate skill sets for potential employees are also seen to be quite beneficial.

### **Concerns**

- ❑ The slowdown experienced in Missouri's economy.

### **Other sources of information**

None at this time

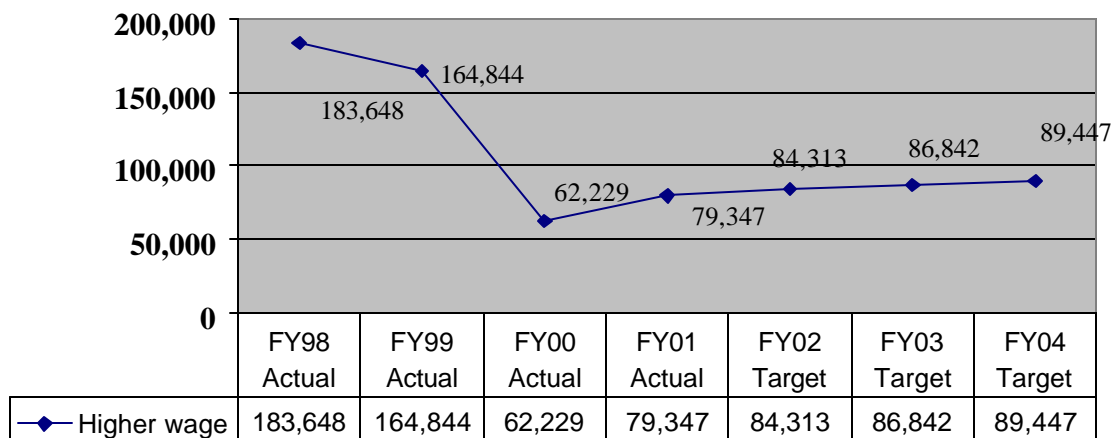
### **Strategies:**

- ❑ Increase use of Toolbox as a case management reporting and client tracking system to promote availability and utilization of Toolbox to all partners resulting in seamless delivery of services with less duplication.
- ❑ Target specific customer needs of service to increase their potential of getting a job at higher wages and improve job retention utilizing strategies developed in the

University of Missouri report and the Department of Social Services, Division of Family Services, Temporary Assistance to Needy Families Leavers study.

- Increase customer satisfaction using the results of customer satisfaction surveys in the redesign of service provisions of customer focused services.

### Objective Measure #3 -- Increase the number of people who get a job with increased earnings



#### Why this measure is important

One of the keys to workforce development as an economic development tool is to continue to "grow the economy" by increasing the earning of its citizens. Tracking this measure allows us to focus on strategies to accomplish this goal.

#### Trend analysis

- At this point a trend can not be devised, since the methodology for calculating this measure was changed in FY00 to bring it into alignment with comparable federal measures. Targets were revised based on this new methodology as well. Future comparisons to this baseline year and comparisons to the federal earnings increase measures will allow DWD to assess the level of improvement in these outcomes. Presently, quarterly increments of this outcome are being analyzed for seasonal trends.

#### How Missouri compares to others

There are no national standards available for all funding sources included in this measure.

#### Factors influencing the measure

While the economy can have a natural influence on this measure, strategies to target better jobs are also a positive influence.



## What works

Continuing to target jobs with growth potential and career ladder potential seems to be an effective way to influence this measure.

## Concerns

- The labor demand will continue to exceed the labor supply, which should translate into the need for higher wages to attract employees. The characteristics of the available workforce are one that is aging, retiring and lacks necessary educational and technical skills. The lack of educational and technical skills is also very evident in the Temporary Assistance for Needy Families population that remains on the welfare rolls. Increasing these skills in this population should translate into higher wages.
- Increasing the skills of incumbent workers should also translate into higher wages. Employer demands on the educational community from immediate training of incumbent workers continues to be problematic. This will undoubtedly affect Missouri's ability to attract employers and increased wages in the coming years unless addressed immediately.

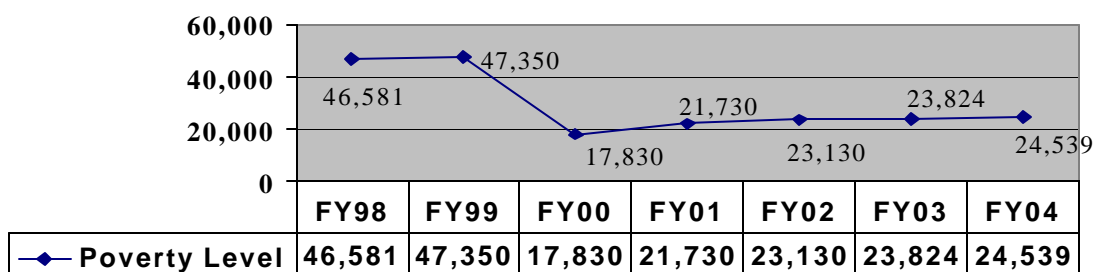
## Other sources of information

None at this time.

## Strategies:

- Target specific customer needs of service to increase the potential of getting a job at higher wages and improving job retention based on research of best practices (for example, strategies developed in the University of Missouri report and the Department of Social Services, Division of Family Services, Temporary Assistance to Needy Families Leavers study).

### Objective Measure #4 - Increase the number of people who move from below the poverty line to above the poverty line



## Why this measure is important

One of the goals is to move people to a level of "self-sufficiency". In order to determine our ability to impact "self-sufficiency", the measure used is "people moving out of poverty."

## **Trend analysis**

- At this point a valid trend can not be devised, since the methodology for calculating this measure was changed in FY00 to bring it into alignment with comparable federal measures. Targets were revised based on this new methodology as well. Future comparisons to this baseline year and comparisons to the federal earnings increase measures will allow DWD to assess the level of improvement in these outcomes. Presently, quarterly increments of this outcome are being analyzed for seasonal trends.
- The Division of Workforce Development has no direct experience with the impact of a weakening economy on performance reported through this measure. Since 1996, when data was first collected, the national and state economies have remained fairly robust and strong. This lack of experience of the impact of a weakened economy on performance means any performance projection is strictly theoretical and based on assumptions about how economic conditions might impact performance. Projecting performance is further complicated by the events of September 11 that have affected the American economy in ways that are not completely predictable. Finally, the pending expiration of many Missourian's Temporary Assistance to Needy Families' benefits in June 2002 will further increase the number of people seeking workforce assistance. Research has show that a large number of people leaving welfare tend to remain in low wage jobs.

Projections of future performance in a weakened economy are based on the following assumptions:

- There will be an increase in the number of people seeking workforce assistance and a decrease in the number of job opportunities.
- This increase in people looking for work and decrease in job opportunities will decrease the upward pressure on wages resulting in, at best, static wages and perhaps lowered wages.
- The length of time required to assist an individual in gaining employment will increase, causing an initial decrease in the number of people who gain employment. Individuals will accept jobs with lower wages, impacting the number of people who move above the poverty line. Any increase in inflation will have an additional impact.

Based on these assumptions, it is anticipated that performance will remain static or decrease slightly during the early stage of a weakening economy. After the early stage, performance is expected to decrease. When the economy begins to recover, performance is expected to show a marked increase.

## **How Missouri compares to others**

There are no national standards available for all funding sources included in this measure.

**Factors influencing the measure**

This measure follows the "higher earnings" measure, reaching more individuals who have earnings below the poverty line for a family of one can also be a strategy to increase performance.

**What works**

It appears that areas that work in a more integrated fashion with workforce partners and have greater contact with low-income customers will have better access to customers with the potential to succeed to earnings levels above the poverty threshold.

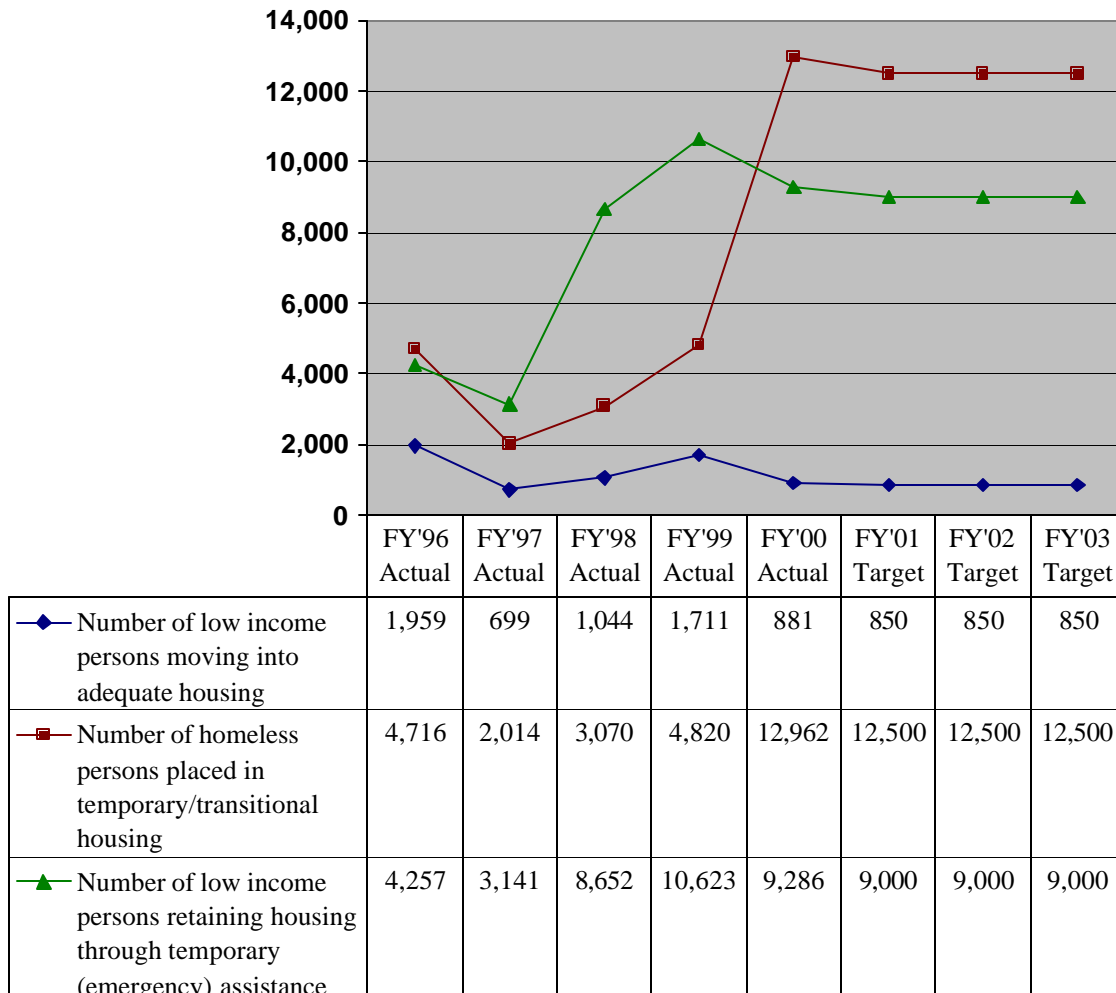
**Concerns**

- A more in-depth analysis of these outcome measures is certainly warranted. We will proceed with a closer examination of the potential factors noted previously and consult with the University of Missouri-Department of Economics on other potential factors that could be affecting these outcomes.

**Strategies**

- Target specific customer needs of service to increase their potential of getting a job at higher wages and improve job retention based on research or best practices (for example, strategies developed in the University of Missouri report and the Department of Social Services, Division of Family Services, Temporary Assistance to Needy Families Leavers study).

**Objective Measure #5 - Increase the number of low income and homeless Missourians whose housing needs are met**



**Why this measure is important**

The Missouri Housing Trust Fund (MHTF) assists very low-income persons in many different ways with their housing needs. The most objective measure we have to gauge the overall success of the MHTF is by tracking the number of persons assisted with their housing needs.

**Trend analysis**

The amount of funds deposited into the MHTF peaked in FY99 at \$4.9 million. We expect to receive approximately \$3.9 million in FY02.

**How Missouri compares to others**

While some other states also administer housing trust funds, they have different eligible activities with very different outcomes making any comparison very impractical.

### **Factors influencing the measure**

The amount of funds deposited into the MHTF will fluctuate and this directly impacts the number of persons assisted with their housing needs. Another important factor is the amount of other funds (public and private) that are leveraged with trust fund dollars. Lastly, the type of activity funded with the housing trust fund greatly affects the number of persons assisted because some types of assistance are much more expensive than others. Permanent housing is the most effective type of housing assistance. However, it is also the most expensive type of housing assistance and consequently houses the fewest number of people. Homeless shelters are a very cost-effective way to temporarily house large numbers of persons but obviously this does not solve the homelessness problem. There will continue to be fluctuations in the number of persons assisted with their housing needs depending upon the type of assistance requested and provided.

### **What works**

MHDC will continue to use a holistic approach to alleviating homelessness by preventing homelessness with emergency housing assistance; developing new or rehabilitated permanent housing; providing transitional housing to help persons move from homelessness to permanent housing; and continuing to provide support for homeless shelters and domestic violence shelters.

### **Concerns**

- ❑ MHTF loans and grants are based on applications received and the outcomes for each activity will reflect the types of applications received.
- ❑ The type of assistance provided determines the number of people assisted. Homeless shelters can assist large numbers of people for short periods of time with limited funds. Permanent housing costs a great deal to produce and assists a small number of people but for much longer periods of time.

### **Other sources of information**

None at this time.

### **Strategies**

MHDC will make grants and loans to assist low-income persons and families with their housing needs through expenditures from the MHTF. Some of the programs to be funded include: operating support for homeless or domestic violence shelters and transitional housing programs, the rehabilitation or expansion of homeless or domestic violence shelters and transitional housing programs, rental assistance programs, minor home repair programs, emergency assistance programs to prevent homelessness and low-income housing development. MHDC will attempt to maximize the expenditure of MHTF funds by leveraging them with other public and private funds to assist the greatest number of persons. All of these outcomes are based on the continued level of funding for the trust fund as well as the additional public and private funds necessary to achieve these outcomes.

MHDC also assists moderate-income families (up to 150% of median income for the state) with rental and homeownership opportunities.

Through the subdivision infrastructure loan program, MHDC provides loans to developers to ready land for subdivisions. At least 50% of the homes must be affordable for purchase by moderate-income families. Guidelines for this program are now being revised to further this program in urban, as well as rural, Missouri.

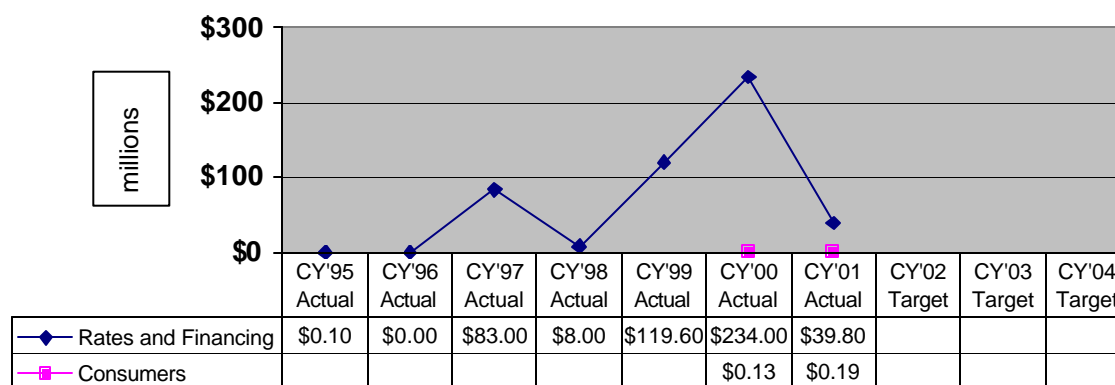
In Kansas City, MHDC provides funds for an Employer-Assisted Housing program by partnering with city government, Fannie Mae, and target area employers who assist their employees with home ownership financing. This program is available in targeted neighborhoods in the central city. Employers include the Kansas City School District and the City of Kansas City.

In St. Louis City and County, MHDC provides funds to match those of area lenders for a home improvement loan program for families with incomes below 150% of the area median. The Regional Housing and Community Development Alliance is the administrator of this program.

Affordable rental housing is provided for moderate-income families in some tax credit-financed developments. In some developments, less than 100% of the units are restricted to persons below 60% of the median income. The remainder are available, at a higher rent, to renters with higher incomes.

## Customer Group -- Consumers

### Objective Measure #6 - Increase utility savings to Missouri consumers



### Why this measure is important

This measure quantifies the amount of dollars Missouri consumers save by the direct intervention of the Public Service Commission's regulation and its staff recommendations. Value is increased whenever price decreases and service remains

the same or service quality increases and price remains the same. Utility service value is created whenever consumers receive greater service quality for the same price or pay less for the same service quality.

### **Trend analysis**

In the future, Commission Staff speculate greater savings to customers in terms of customer rates; however, financing savings are expected to decrease because of anticipated rising interest rates.

### **How Missouri compares to others**

No comparisons at this time.

### **Factors influencing the measure**

None at this time.

### **What works**

No data at this time.

### **Concerns**

- ❑ It is difficult to project the savings that may be generated during a particular fiscal year because all savings are dependent upon filings/submissions made to the Commission.

### **Strategies:**

- ❑ Utilize the Commission's electronic time and leave system to more readily capture data pertaining to hours worked on a particular case.
- ❑ Encourage employees to develop metrics that will allow for easier tracking and documentation of savings related to PSC intervention in a case/filing.
- ❑ Promote a continuation of Missouri's comparatively low-cost electric rates by staying abreast of energy policy and scrutinizing utility decisions in order to protect residential and small business consumers from imprudent or unreasonable practices.

## ***KEY OUTCOME II: INCREASE CUSTOMER SATISFACTION WITH STATE GOVERNMENT SERVICES***

### **Why this measure is important**

Unlike private business whose customers can choose to “do business” elsewhere if they are not satisfied, many of state government’s customers do not have a choice. Many times, the only choice customers of state government have is whether to do business or not. Because of the lack of choice, customers of state government may be dissatisfied and feel compelled to tolerate bureaucratic systems.

### **Trend analysis**

No data available at this time.

### How Missouri compares to others

No data available at this time.

### Factors influencing the measure

No data available at this time.

### What works

No data available at this time.

### Concerns

None at this time

### Other sources of information

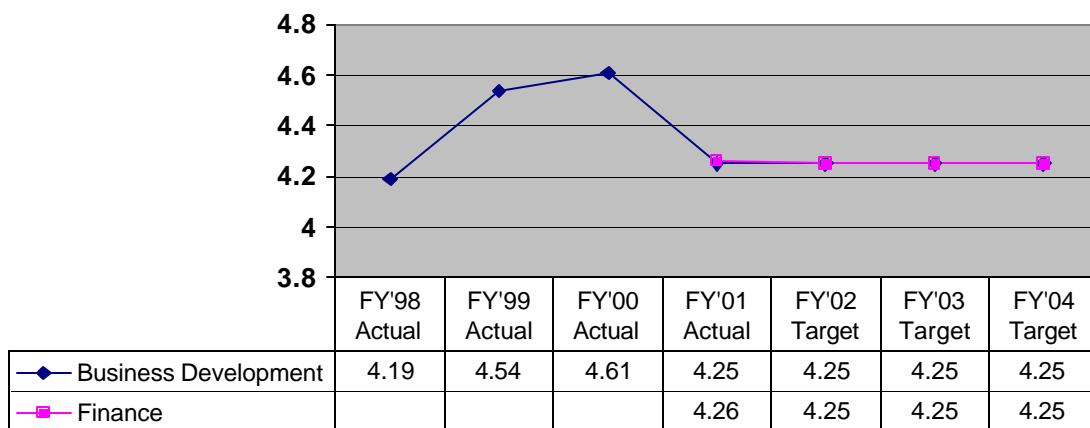
None at this time

### Strategies

None at this time

### Customer Group – Missouri Taxpayers

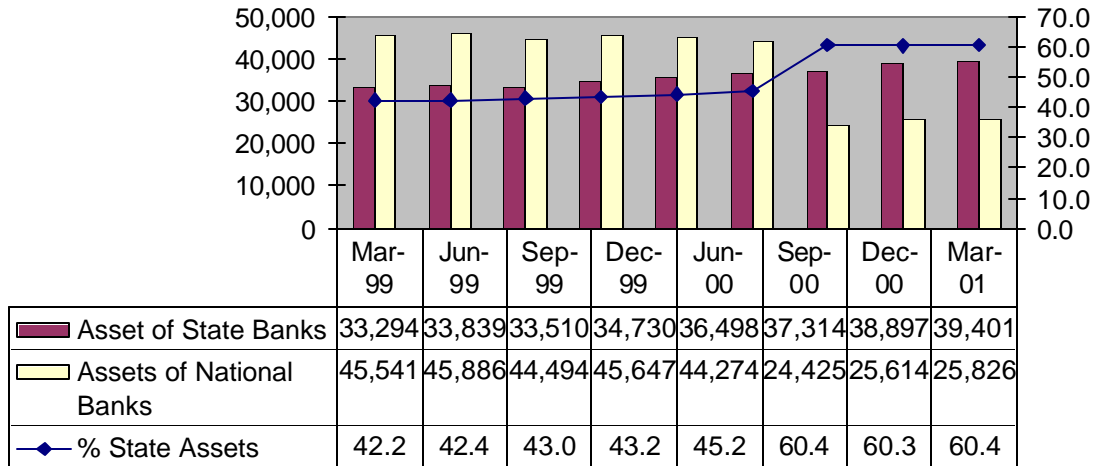
#### Objective Measure #1a - Increase customer satisfaction rating with the Department of Economic Development



5 point scale, where 5 is the best



**Objective Measure #1b - Increase customer satisfaction  
with the Department of Economic Development - Remain  
the preferred bank regulator in Missouri - Market Share -  
by millions of \$ in assets (Finance)**



**Why this measure is important**

Unlike private business whose customers can choose to “do business” elsewhere if they are not satisfied, many of DED’s customers do not have a choice. Many times, the only choice customers of DED have is whether to do business or not. Because of the lack of choice, customers of state government may be dissatisfied and feel compelled to tolerate bureaucratic systems.

**Trend analysis**

Business Development continues to show above average customer satisfaction. The decrease to a 4.25 rating in FY’01 is due to the inclusion of survey results from a set of customers who were not previously surveyed.

**How Missouri compares to others**

According to the 2001 American Traveler Survey by Plog Research, Inc., Missouri placed 4<sup>th</sup> of 11 among its primary competition and 25<sup>th</sup> among all 51 destinations (50 states plus the District of Columbia). Missouri’s position has improved from 1997 when it placed 27<sup>th</sup> out of the 51 destinations measured.

### Visitor Satisfaction Index Rank

	1998	1999	2000	2001
Louisiana	19	21	12	16
Texas	18	22	20	18
<b>Missouri</b>	<b>27</b>	<b>47</b>	<b>24</b>	<b>25</b>
Tennessee	20	16	26	17
Illinois	29	24	31	35
Arkansas	39	41	39	42
Nebraska	47	43	44	45
Oklahoma	50	39	45	48
Indiana	48	47	46	46
Kansas	49	49	49	51
Iowa	42	51	51	50

### Factors influencing the measure

Analysis has not yet been completed.

### What works

Analysis has not yet been completed.

### Concerns

Analysis has not yet been completed.

### Other sources of information

None at this time.

### Strategies

#### Increase Market Share (market share is an indication of customer satisfaction)

- ❑ Increase the percentage of Missouri credit union assets held by Missouri state-chartered credit unions. The current percentage (as of 12/31/00) is 93.4%. We are projecting a 0.5% increase every year for the next 3 (through 2004).
- ❑ Increase the percentage of Missouri bank assets held in Missouri state-chartered banks.

#### Increase Program Integration

- ❑ Develop integrated programs within Community Development
- ❑ Identify other divisions within DED for efficiency and coordination of services and programs with Missouri Arts Council

#### Governmental Reform/Integration

- ❑ Create a motor carrier 1-stop shop

#### Improve Accessibility to DED products and staff

- ❑ Improve customer access to DED products and services through enhancements to its web sites, including e-applications; on-line license renewals; placement of additional information on website for increased customer self-service; mapping of

distressed, qualifying, and eligible areas under the Distressed Communities legislation and searchable databases.

- ❑ Provide easier access to registration and compliance information for motor carriers
- ❑ Provide customers of the Division of Professional Registration with a 24-hour 800 number

#### Improve timeliness of products and services

- ❑ Decrease Public Service Commission's filings/submissions processing time. Public Service Commission staff established a sixty-day time frame for filing their recommendations on water and sewer certificate application cases and continue to benchmark against this goal.
- ❑ Decrease the number of days for staff to file recommendations on water and sewer certificate application cases.
- ❑ Decrease time to respond to requests.
- ❑ Decrease time to process invoices.

#### Product Enhancement

- ❑ Improve incentive applications.
- ❑ Review and improve incentives programs to compete more effectively with other states.
- ❑ Improve BEA building, site and community data system through implementation of MO LocationOne so that Missouri's data is consistent with the national site selection and data standards.
- ❑ Increase customer profile information in databases.
- ❑ Expand Missouri Business Assistance Center's one-stop-shop approach to helping business with local, state and federal tax issues; business requirements, etc., through expanded marketing and web presence.

#### Other

- ❑ Establish customer satisfaction baselines for banks, savings and loan associations, and trust companies; community development programs, and other programs
- ❑ Develop policy of use of Community Development programs by faith-based programs

### **OUTCOME III: INCREASE STATE GOVERNMENT PRODUCTIVITY AND EFFICIENCY**

#### **Why this measure is important**

During a time of reduced federal and state revenues, state government must improve the effectiveness and efficiency of its operation in order to continue to provide the highest level of services to Missourians.

#### **Trend analysis**

Specific measure has not yet been identified.

#### **How Missouri compares to others**

Specific measure has not yet been identified.

### Factors influencing the measure

Specific measure has not yet been identified

### What works

Specific measure has not yet been identified

### Concerns

Specific measure has not yet been identified

### Other sources of information

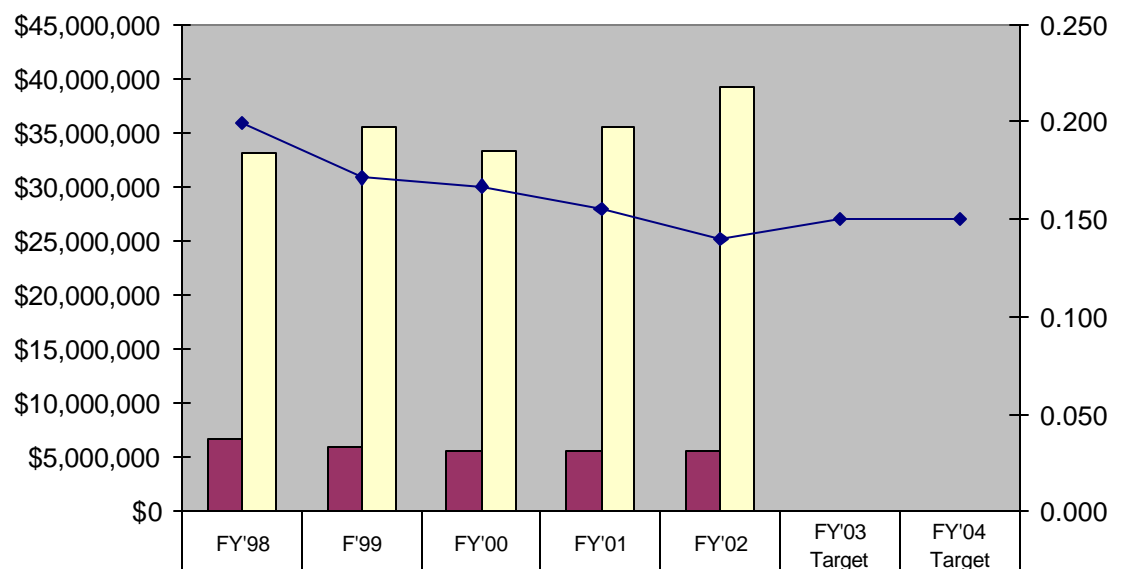
Specific measure has not yet been identified

### Strategies

Specific measure has not yet been identified

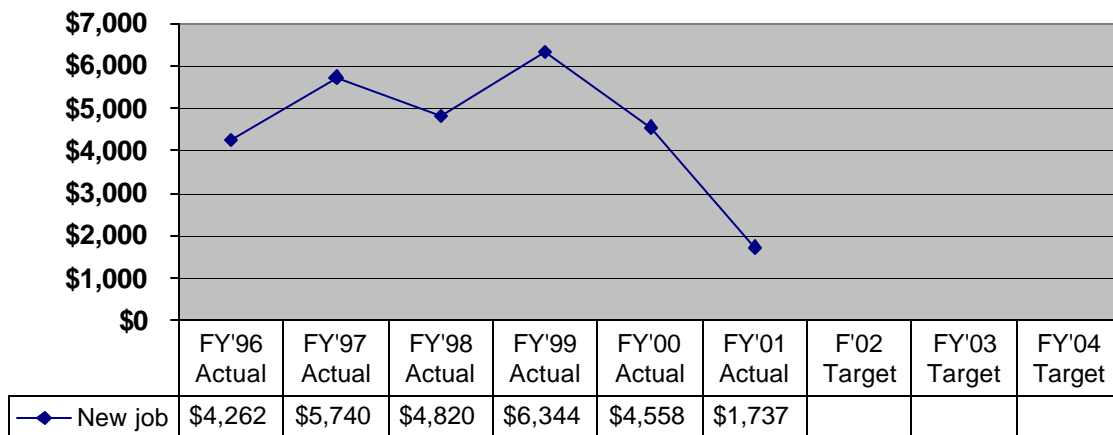
### Objective Measure 1 – Decreased DED cost to achieve results/outcomes

#### Assessment Rate -- Banks

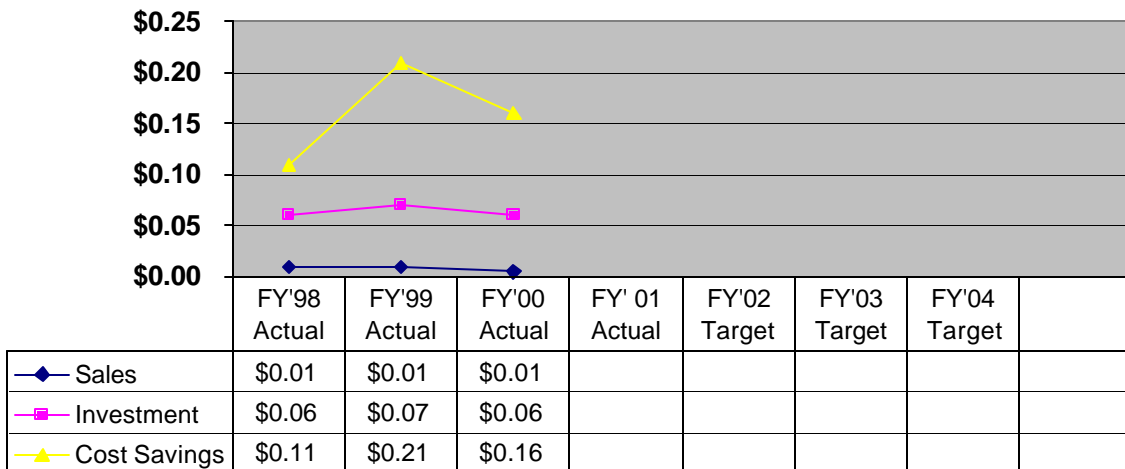


Net Assessment (\$)	FY'98	F'99	FY'00	FY'01	FY'02	FY'03 Target	FY'04 Target
Total Assets of Banks and Trust Companies	\$33,196,532	\$35,491,641	\$33,352,565	\$35,563,441	\$39,129,835		
Average Assessment Rate (\$ PER \$000 in assets)	0.199	0.171	0.167	0.155	0.140	0.150	0.150

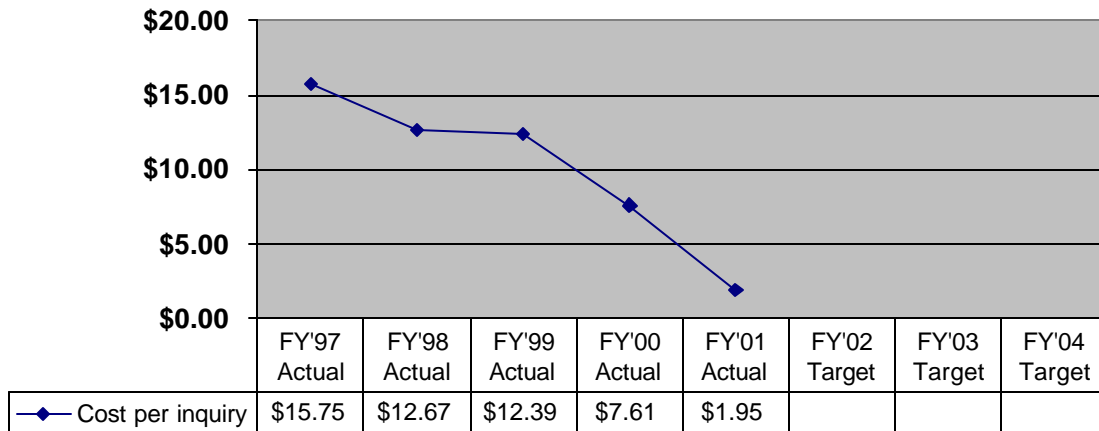
### Cost of Creating A New Job



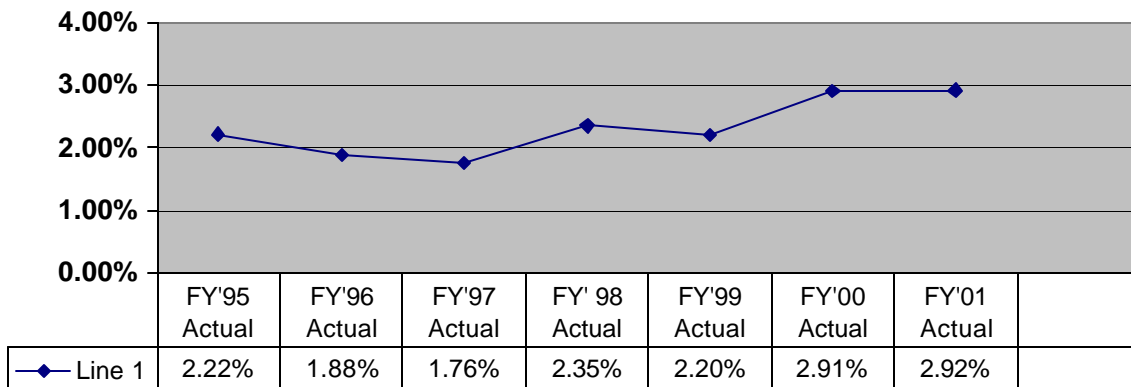
### Cost of Creating \$1 of Sales, Investment, and Cost Savings



### Cost Per Tourism Inquiry



### Percentage of Centralized Administration Expenditures to Total Department Expenditures



#### Why this measure is important

During a time of reduced federal and state revenues, DED must improve the effectiveness and efficiency of its operation in order to continue to provide the highest level of services to Missourians

#### Trend analysis

- ❑ DED maintains a 2-3% administrative rate for centralized administrative functions.
- ❑ The cost per tourism/potential visitor inquiry has dropped significantly from \$15.75 in FY'97 to \$1.95 in FY'01 through increased use of the internet.
- ❑ Costs for assisting businesses to create new jobs are decreasing significantly.
- ❑ Costs for assisting businesses to increase sales, invest in Missouri, and achieve cost savings are stable and generate a significant rate of return.
- ❑ Assessment rates for banks shows an overall decline from FY'98.

- ❑ DWD has been able to reduce the average costs for entered employment approximately \$10 per individual over the last two years. This allows the “stretch” of our limited resources that provides the opportunity to serve more individuals and businesses, thus increasing overall productivity.

### **How Missouri compares to others**

No comparisons at this time.

### **Factors influencing the measure**

None identified at this time.

### **What works**

Analysis has not been done.

### **Concerns**

None at this time.

### **Other sources of information**

None at this time.

### **Strategies**

#### Eliminate duplication through integrated and coordinated product and service delivery

- ❑ Creation of a compatible customer tracking system for use by all Business Development key partners will reduce duplication of services to customers, increase knowledge of customers and should enhance services to clients.
- ❑ The Missouri Business Development Network (MoBDN) will establish defined roles of small business assistance for each partner agency and the use of outsourcing to minimize inefficiencies in the existing provider network.

#### Enhance products and services

- ❑ Create “industry specialists” to compliment OIM’s world region teams.
- ❑ Establish and fund the pilot warehouse program in Africa. If successful, this program will provide a mechanism for the Africa office to generate a portion of the funds needed to operate the office.
- ❑ Enhance and continue BEA’s Regional Cooperative Marketing Program.

#### Increase program revenue

- ❑ Give Business Development programs the ability to charge for selected products and services. This cost recovery would permit expansion and improvement of those products and services and, ultimately, move them to a self-sustaining position. This would require changes to regulations that now do not permit programs to retain the collected funds or to charge fees that cover all costs associated with the product/service. In addition, Office of Administration purchasing rules need to be changed to allow for the use of electronic checks, debit cards and all major credit cards.

#### Decrease or maintain administration costs

- ❑ Maintain a 2% overhead cost of operations as a percentage of total funds awarded to communities.

#### Decrease direct fees to customers

- ❑ Assets examined per examiner day - 1 Rated (\$millions).
- ❑ Assets examined per examiner day - 2 Rated (\$millions).
- ❑ Maintain percentage of outside examination hours.
- ❑ Increase the number of filings/submissions handled by Public Service Commission staff.

#### Improve supplier/contract management

- ❑ Decrease cost to fulfil information requests.
- ❑ Increase return on investment from advertising.